

AMERICAN NEWS

Argentina suspends all foreign currency payments

BY PETER BAINS IN BUENOS AIRES

ARGENTINE ECONOMIC authorities suspended all foreign currency remittances yesterday as the central bank prepared new measures to establish a system of priorities and import controls to protect dwindling currency reserves, banking officials said.

The block on remittances had been announced over the weekend, and companies and banks were told to resubmit requests to the central bank. The government has also stopped selling dollars to Argentines wishing to travel abroad.

The move came as Sr Federico Pisto Kramer, Federal judge in the Argentine province of Santa Cruz, dashed hopes of a quick resolution to the deadlock over the rescheduling of state company foreign debts totalling \$7.5bn.

The judge had earlier imposed a "freeze" on all new debt rescheduling agreements, basing himself on legal objections to the extrajurisdictional clauses, which provide for disputes to be settled in New York courts.

The Government appealed against the decision, and Judge Pisto Kramer responded by saying that the authorities were entitled to sign new rescheduling agreements, but only on condition that the extrajurisdictional clauses were not included. As this satisfies neither the economic authorities nor the creditor banks, the Government is expected to take the case to higher courts.

There was concern, however, that the legal complications may not be resolved before the October 17 deadline set by the creditor banks.

The ban on foreign currency remittances created confusion on the dollar black market, where most operators were refusing to give quotations on Monday. It was widely expected that the black market dollar, which closed at 25.35 pesos on Friday, would surge upwards to at least 28.00 pesos. These black market rates compare with an official rate of 15.1 pesos.

There was also confusion on the real size of the country's overdue and unpaid interest and commercial debts. The central bank has not been releasing figures. Estimates ranged from \$1.1bn at the top end down to \$500m or less, according to Central Bank officials. Banking officials said that Argentina had reduced the backlog in August but that it was now increasing again.

Trade union leaders were due to take a decision yesterday afternoon on whether to press ahead or call off the 24 hour general strike due today.

Laker liquidator files suits against two more airlines

BY OUR FOREIGN STAFF

THE Liquidator for Laker Airways, the collapsed carrier built up by Sir Freddie Laker, has filed suit in the U.S. against SAS, the Scandinavian airline, and UTA, the French independent airline, charging them with violations of the U.S. anti-trust law.

This follows similar action against Pan American Airways, Trans World Airways, British Airways, Lufthansa, Swissair, British Caledonian Airways, KLM, Sabena, McDonnell Douglas and McDonnell Douglas Finance Corporation.

Mr Christopher Marria, the liquidator, said "the law suit

filed in the U.S. Federal Court in Washington alleges that the defendants conspired to drive Laker out of business, and share Laker's creditors and shareholders."

Laker Airways operated a low-fare service between the U.S. and UK from 1977 until it was forced to suspend operations on February 5 1982 because of financial difficulties.

The U.S. law suits against Laker's British competitors have caused a considerable row over whether U.S. courts have jurisdiction over the dispute.

Feldstein sees good growth for 1983

By Anatole Kaletsky in Washington

U.S. ECONOMIC growth will be between 6 and 6.5 per cent from the end of 1982 to the end of 1983, Mr Martin Feldstein, chairman of the Council of Economic Advisers, said yesterday.

Mr Feldstein's prediction, which he described as a "personal estimate," is one percentage point higher than the Reagan administration's latest official forecast of 5.5 per cent growth published in the summer. But Mr Feldstein said that his long-range forecast for average annual growth of 4 per cent between 1983 and 1985, remains unchanged.

The 6 to 6.5 per cent forecast for 1983, which is roughly in line with the consensus view of most private economists in the U.S., implies that Mr Feldstein expects a slight further moderation in the economy's expansion, during the final quarter of this year to an annual rate of between 4.5 and 5.5 per cent. During the second quarter the economy grew at a 3.7 per cent annual rate and the Commerce Department's preliminary estimate for the third quarter's growth rate is 7 per cent.

Mr Feldstein, who was speaking at a business week conference, also insisted that President Ronald Reagan remained committed to reducing U.S. budget deficits in the years ahead. Commenting on recent statements by Mr Donald Regan, the Treasury Secretary, to the effect that there are no known links between large budget deficits and high interest rates, Mr Feldstein declared that the President believes strongly and firmly that deficits are harmful to our economy. It was "utter nonsense," he said, to suggest that the President had backed away from his proposals to increase taxes from 1985 onwards if this proved necessary to curb deficits.

But Mr Regan, speaking separately to another Washington audience, repeated yesterday that "spending restraint and not tax increases" were the best way to deal with budget deficits.

Markets are nervous over central bank policy, writes Stewart Fleming in Washington
Booming U.S. economy silences Fed's critics

WITH THE U.S. economy barreling along at an anticipated real growth rate of 6 per cent this year, inflation currently running around the 4 per cent mark and the three main measures of the money supply within target ranges, the Federal Reserve, the U.S. central bank, has been out of the political firing line for the past few weeks.

Indeed, Fed officials may have found it hard to repress a wry smile as Treasury Secretary Donald Regan and Mr Martin Feldstein, the President's chief economic adviser, crossed swords in public on the question of whether or not big budget deficits cause high interest rates.

The Reagan Administration seems to have forgotten that the safest place to lay the blame for high interest rates is on the doorstep of the central bank's elegant neo-classical headquarters on Constitution Avenue. The Fed's Open Market Committee is widely expected to maintain its low profile when it meets today.

The Fed's critics may just be pausing for breath. Monetaryists are already muttering about an apparent lack of a clearly defined plan for keeping policy on track. Such critics feel that there is too much pragmatism, some would say opportunism, in the way policy is conducted. They can point to some conspicuous successes in the brief 12 months since it formally announced that it was modifying the monetary policy

techniques it adopted in October 1979 in the midst of the U.S. currency and inflation crises.

The policy adopted in that year to tackle these threats focused on trying to control the money supply through managing bank reserves directly rather than through the interest rate on overnight interbank loans (Fed funds). The new approach helped to send interest rates soaring to peaks of 20 per cent and more in 1980 and 1981.

Induced at times wild interest rate fluctuations. By mid-1982 the U.S. economy was mired in a recession for which the Fed was catching the blame, and the world's financial system was tottering on the brink of collapse, in part because of the clash between U.S. monetary policy and the debt burdens of several developing countries.

Thus almost exactly a year ago, with inflation halved to under six per cent and the dollar rampant on the foreign exchanges, Mr Volcker put less emphasis in future on trying to control what he saw as the distorted monetary aggregates and more weight on the state of the economy.

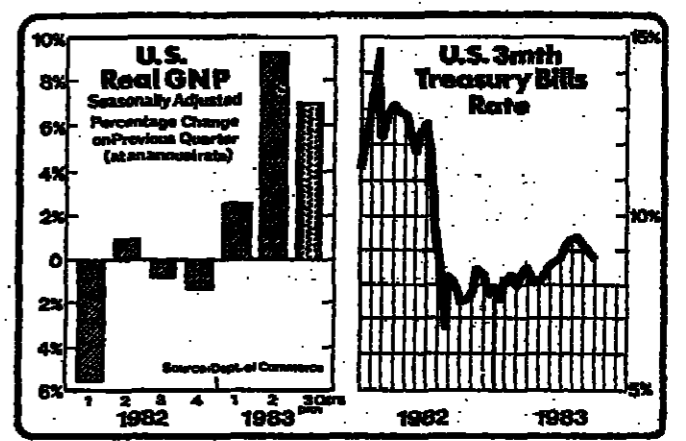
The fruits of the monetary stimulation which followed, coupled with the boost from the Government's deficit spending, turned up in the second and third quarters of this year. Provisional figures from the Commerce Department suggest that real growth in gross national product was around

seven per cent between June and September. In the previous quarter the growth rate was 9.7 per cent.

Indeed, the strength of the economy's second quarter performance, and the fact that the money supply was accelerating outside the target ranges, prompted the Fed to embark on what it saw (according to the subsequently published minutes) as a cautious tightening of policy. The market's response was anything but cautious: yields on a wide range of securities jumped 15 to 20 percentage points between May and August.

In the past four weeks, as the growth of the money supply has slowed and there have been tentative signs of a cooling in the expansion of the economy, Wall Street has been alive with speculation that the Fed has relaxed the monetary reins a little. Some economists cite as evidence the fact that the central bank has been pumping funds into the financial markets recently.

Most agree that the evidence is inconclusive, for the waters have been muddied by a build up of cash balances at the U.S. Treasury which has been taking liquidity out of the markets, a shift the Fed has been trying to offset. Nevertheless rates have fallen from their August levels, while three-month Treasury bills yielding 9 per cent last week compared with 9 1/2 per cent in the second week of August and 30-year Govern-



ment bond yields down around half a percentage point at 11 1/2 per cent.

While monetary growth has slowed sharply and there have been signs that the second quarter's torrid economic growth has cooled, few are expecting any dramatic new initiatives from the Fed's Open Market Committee at its meeting today. Seven per cent growth in the third quarter is still a hot pace, especially since some of the apparent slowdown from the second quarter may reflect anomalies such as a shortage of cars in dealers' showrooms which depressed car sales.

Moreover, the U.S. economy's momentum is shown by the fact that much of the second

quarter's growth stems from the efforts of companies to build up their stocks. The fact that declining export sales are acting as a drag on the economy also demonstrates how strong domestic demand remains.

It is a measure of the market's unease about the future and the impact the Administration's budget deficits could have, that today long term interest rates are hardly any lower than they were a year ago, when the Central Bank set out to stimulate the economy. Thirty-year Treasury bonds are still yielding 11 1/2 per cent; a year ago it was 11 1/2 per cent. The market's lack of confidence in the prospects for an inflation-free future also limit the central bank's room for manoeuvre.

Time poll shows strong support for Reagan

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

PRESIDENT Ronald Reagan again surged forward in popular support last month, reaching an approval rating of almost 60 per cent, according to a leading opinion poll published yesterday.

The findings were released as former Vice-President Walter Mondale was still savouring a weekend of successes in his bid to be next year's Democratic presidential contender, while his chief rival, former astronaut Senator John Glenn of Ohio, was refusing to be too disheartened.

The new Time magazine poll put Mr Glenn still close behind Mr Mondale among Democrats and Independents, with 26 per cent support for Mr Glenn against Mr Mondale's 23 per cent.

The poll was taken, however, before Mr Mondale won the Maine Democratic presidential preference "straw poll" on Saturday and secured the backing of leaders of the AFL-CIO, the country's largest labour federation, and the influential National Education Association, the biggest teachers' union.

Mr Glenn's camp was drawing comfort from what it saw as the relatively unfavourable manner (to Mr Mondale) in which these events were reported on national television. His aides depicted Mr Mondale as a slick, high spending politician in the pocket of organised labour. They were also looking ahead to the boost they think Mr Glenn will soon get from the much-trumpeted release of a major new feature film, "The Right Stuff," extolling the heroism of the original seven astronauts.

Court to study commercial paper dealing

WASHINGTON—The Supreme Court has agreed to review the right of banks to deal in commercial paper, short-term unsecured debt issued by corporations to raise funds.

The case involves a challenge by the Securities Industry Association and A. G. Becker, a commercial paper dealer.

They challenged a 1980 ruling by the Federal Reserve Board allowing the Bankers Trust of New York to act as a broker for commercial paper sales by certain corporations not related to Bankers Trust.

The case is seen as a major test of the continuing process of deregulation.

WORLD TRADE NEWS

West Germany's exports to China leap by 40%

BY LESLIE COLLITT IN BERLIN

WEST GERMANY exports to China leaped 40 per cent to DM 1.45bn (£345m) in the first seven months of this year, boosting West Germany's challenge to the U.S. to become China's second largest trading partner after Japan.

Count Otto Lamsdorff, West German Economics Minister, tomorrow joins the Joint Sino-West German Economic Commission for three days of talks in Peking.

German companies active in trade with China say last year's lifting of Peking's of its previous ban on new industrial projects accounts for the surge in German exports led by shipments of large-diameter pipe.

Chinese exports to West Germany, however, rose by only 5 per cent to DM 1.062bn in the first seven months. The German visiting Peking said the Chinese on ways to overcome this gap.

Both sides will sign an investment promotion agreement regulating compensation for West German companies in the event of expropriation and

covering capital transfers. West German companies see good prospects of steadily increasing their trade with China, although not at anything like this year's rate of expansion. The largest openings are seen in plant and equipment, mechanical engineering, steel and communications.

For the first time, medium-sized German companies are entering the Chinese market as a result of the shift in China's economic development policy away from the exclusive emphasis on heavy industry.

The German traders warn that the Chinese market is loaded with pitfalls and requires much "time, money and patience," in the words of one company representative. He called the Chinese the toughest and slowest negotiators he had ever dealt with.

One of the stickiest points in negotiations he noted is that the Chinese want to obtain advanced German technology for "virtually nothing."

China has sent 12 industrial delegations to West Germany

thus far this year and the companies visited last month by Zhao Jiannan, Chinese Minister of Mechanical Engineering, were the leading ones in trade with China: Schleemann-Siemag, Mannesmann-Demag and Krupp.

VW was also on the agenda as its technicians are currently helping the Chinese to assemble the first few hundred VW Santana cars for the Chinese market.

VW hopes that by early next year it can crown three years of negotiations with the Chinese by an agreement to set up a joint company to manufacture the car in China.

Schleemann-Siemag heads a consortium which is building a DM 1.3bn steel plant at Baoshan and is negotiating hard to get another large contract in China. Financing is generally said by the Germans to be a problem.

Although the Chinese pay in cash for smaller imports, they resist paying more than "token" interest rates for credits, one German industrialist complained. But the West German Government steadily refuses to subsidise lower interest rates.

Westland hopes for £50m Indian 'copter deal

By John Elliott in New Delhi

WESTLAND of the UK hopes to win a contract worth about £50m-£60m later this year to supply 27 medium-class helicopters to the Indian Government and to the Oil and Natural Gas Commission of Bombay.

It has been demonstrating the aircraft, a Westland 30 which has been developed from the Lynx, at high altitudes in Northern India and in Bombay.

But while the helicopter is more highly priced than its competitors, and Westland is facing an uphill task persuading them not to buy from one of its cheaper competitors.

The main competition is the considerably cheaper but less powerful Aerospatiale Dauphin from France. Other bids have been submitted by Bell and Sikorsky from the U.S.

Political considerations, especially close ties between India and France, are likely to influence the final choice. Westland is not sure whether the fact that it won a £300m Indian helicopter order this year for its Sea King helicopters with Sea Eagle missiles will assist or hinder it now.

Westland has submitted joint production proposals to Hindustan Aeronautics of Bangalore, and the UK is believed to be prepared to give India financial aid, totalling perhaps £20m or more.

The order was first mooted in 1980 but Westland only submitted its proposals last year. On present plans, the order will involve 21 helicopters for the commission to service offshore oil and gas operations and six for the Indian Government to use for ministerial and other flights.

Britain grants Burma £1.2m

By Our Rangoon Correspondent

BRITAIN has provided a £1.2m grant to Burma under notes exchanged in Rangoon yesterday. This grant represents 24 per cent of cost of Hydromaster marine propulsion units and spare parts being purchased by the Burmese Government.

Altogether 72 units will be bought to power commercial vessels of the state-owned Inland Water Transport Corporation, and a contract to supply them has been won by Sykes Marine of Britain.

Forecasts for 1983 have proved too optimistic, Peter Bruce writes
Western steel consumption hopes abandoned

HOPES FOR a recovery in Western steel consumption this year have finally been abandoned by the international steelmaking community.

Mr Lenhard Holschuh, secretary general of the International Iron and Steel Institute, told the organisation's annual meeting in Vienna yesterday that demand for steel in the West was likely to fall 1.7 per cent this year from the 461m tonnes consumed in 1982.

Little comfort

IISI forecasts for 1983, made a year ago, have proved too optimistic. The new consumption forecast for the world of 653m tonnes is more than 5 per cent lower than estimates of a year ago.

There was little comfort for

steel producers in Mr Holschuh's prediction that total world steel consumption this year would be up 0.6 per cent on 1982. The bulk of the increase has been due to large orders from China and North Korea, whose combined consumption is forecast to rise 12.8 per cent to 53m tonnes.

The IISI is predicting a substantial recovery in 1984—6.9 per cent to 336m tonnes in the west and 3.7 per cent to 677m tonnes overall. Given its over-optimistic predictions in the past few years, however, the 1984 forecast is likely to be treated with caution.

Steel producers from 36 countries are meeting in Vienna against a background of the IISI industry "bleak." For the first time in at least 10 years the Institute has failed to provide estimates of capital expenditure in the steel industry for the

current year and a year ahead. With a few exceptions, Mr Holschuh said, IISI members "did not feel that they could predict investment spending with any accuracy; the uncertainties surrounding the immediate future are such as to bring planning almost to a complete halt."

Overall decline

Medium-term forecasts for demand released yesterday by the Institute, show world steel consumption rising from 719m tonnes in 1980 to 725m tonnes in 1985 and 738m tonnes by 1990. These appear optimistic.

To arrive at the 1985 figure demand would have to increase some 7 per cent over 1984. Possibly the most depressing element of the medium-term forecast, for the major western

steel makers at least, is that they predict an overall decline in consumption in the industrialised west from 365m tonnes in 1980 to 348m tonnes in 1990. According to the forecasts, the main increases in world demand will come from developing countries, where consumption is expected to rise from 65m tonnes in 1980 to 112m tonnes in 1985 and 137m tonnes by the end of the decade. What worries the major western producers is that the developing countries themselves may rapidly emerging as tough competitors in their own markets and in the industrialised markets.

The third world share of total liquid steelmaking capacity, which stood at only 6 per cent in 1974 and 10 per cent three years ago, could rise to nearly 20 per cent by 1990 according to IISI forecasts.

Air pact sought for Netherlands, Surinam route

By Our Utrecht Correspondent

SURINAM Airways (SLM) is seeking agreements with European airlines to operate the Paramaribo-Amsterdam route.

The Surinam Government has said it will not renew the civil aviation agreement between SLM, Royal Dutch Airlines (KLM), and Antilles Airways (ALM), which lapses on October 15 because of an SLM-ALM dispute over operation of the Paramaribo - Antilles - Miami route.

Surinam and the Antilles have refused landing rights for each other's airlines for over a year. But because the eight-year-old agreement jointly includes KLM, it now means the end of flights between Surinam and the Netherlands.

A spokesman for the Dutch state Civil Aviation Department said yesterday that flights could be resumed on the basis of individual landing permits granted by each Government to the other's airline, without necessitating renewal of the agreement. But he added that indications are that the Surinam Government could oppose this.

Scope 'may exist for closer City-ECGD links'

By Our Utrecht Correspondent

SCOPE may exist for closer collaboration between the Government's Export Credits Guarantee Department and the City of London, the new head of the ECGD said yesterday.

Mr Jack Gill, ECGD Secretary, was commenting on the Government's decision to set up an independent review of the Department's status and functions.

"We have no statutory monopoly and we have never sought a statutory monopoly," he said. But the nature of the Department's work had tended to give it a de facto monopoly of credit insurance for exporters in the past.

"But times change, and there are organisations springing up in the City. We would hope to keep the main thrust of our business going, however."

Mr Gill, former director of the industrial development unit in the Department of Trade and Industry, said he would not prejudge the report of the government-appointed committee.

Taiwan revises export quota regulations

By Bob King in Taipei

TAIWAN'S Economics Affairs Ministry has announced a revision of regulations governing the allocation and the use of textile quotas which, if enforced, should, it is hoped, undo some of the snags for textiles buyers.

The new provisions, which take effect from January 1 1984, in principle will eliminate the dominance of a few large companies in quota dealings and may cause manufacturers in Taiwan to pay more attention to previously neglected markets in non-quota countries.

The Taiwan Textile Federation officials say they will have to enact a more detailed study before the total implications become clear.

It is clear, however, that the new regulations are designed to force holders of textile quotas—so-called because it is based on previous years' export performance and is generally held for life by the original owners—to use it themselves rather than sell it year after year to factory owners without quota.

Under the revision, these companies caught selling their quota allocations will lose them and possibly the right to export as well.

OVERSEAS NEWS

Prices of subsidised goods raised in Israel by 6%

BY DAVID LENNON IN TEL AVIV

THE ISRAELI Government raised the price of subsidised goods yesterday by 6 per cent, a signal that it is abandoning its attempt to combat triple-digit inflation by holding down the prices of basic goods and services.

The accumulating bad news about the economy has been ignored and belittled in public by the Treasury for weeks, but it now appears to have realised that the foreign debt price tax for the past year's unsuccessful war on inflation is endangering the country's standing in the world as a credit-worthy borrower.

The Treasury has been pouring money into the subsidies on basic commodities for the past year. This was part of the policy to keep the monthly price increase down to 5 per cent, regardless of the real rate of inflation in the economy, which always exceeded this amount.

But yesterday the dam began to crack. Indeed, if it was not for some ministerial opposition, the increases would have been 10 per cent.

Now that the Government appears to be abandoning its failed policy of trying to fight inflation through massive support for the shekel and subsidies, there is a growing expectation of more severe economic steps.

But the interim caretaker Government is probably too

divided to approve any radical change of economic policy and the attempts to form a new coalition quickly appear to be foundering.

Mr Yitzhak Shamir, who was invited by the President to try to form a new government, is planning to seek Knesset

Mr Moshe Arens, Israel's Defence Minister, accused Egypt yesterday of "flagrantly violating" its peace treaty with Israel by withholding its ambassador for the past year. He said that if Israel had known before it signed the Camp David peace accords that Egypt would "act in this fashion in the event of disagreement between the two countries, it is doubtful that we would have gone so far in our concessions for a peace treaty."

approval for his coalition tomorrow or on Thursday. But his chances of winning parliamentary approval appeared to dim yesterday.

Six maverick members of his own Likud bloc asked him yesterday to delay presenting his coalition to the Knesset for approval while attempts are renewed to bring the opposition Labour Party into a broad coalition of national unity.

Egypt goes to polls today

BY CHARLES RICHARDS IN CAIRO

EGYPT'S ruling National Democratic Party is set for a clean sweep of 70 seats in today's elections for the Upper House, the Shura Council, following the decision of the small opposition parties to boycott the elections because of objections to electoral procedure.

Half of the 210 seats of the Council are to be filled, 70 by ballot, 35 by direct presidential appointment.

President Hosni Mubarak's choice of appointees will indicate the degree of political diversity he desires in the largely consultative chamber. Already a number of prominent opposition figures have indicated that if asked they would not accept an appointment.

Meanwhile, the lower house, the People's Assembly, extends Sunday emergency regulations for a further year. The Government said it wanted the extension to combat terrorist groups plotting to undermine the security of the state.

Interior Minister Hassan Abu Basha said that over the past year police had uncovered 15 terrorist groups, and found 18,000 rounds of ammunition, 25 rockets and nearly a quarter of a tonne of explosives.

Over the past two months the minister has revealed the arrests of a large number of terrorist suspects, covering the whole range from Islamic extremists to armed Communists as well as Palestinian and Libyan-backed groups.

Britain under fire over Hong Kong

By Mark Baker in Peking

THE BRITISH Government came under fire from China yesterday for recent comments on the future of Hong Kong, intensifying the war of words between the two governments.

Both Mrs Margaret Thatcher, the British Prime Minister, and Mr Richard Luce, the Foreign Office Minister responsible for the colony, were accused of making "inappropriate remarks" by the Chinese Foreign Ministry.

"Of late, responsible personnel of the British Government have time and again talked improperly about the future of Hong Kong and this aroused serious attention from various circles," a spokesman said in Peking.

"China and Britain are now conducting talks on the Hong Kong question. We hope that both sides show sincere and co-operative attitudes towards the talks so that positive results can be achieved at an early date."

"Inappropriate remarks made by British leaders cannot lead to a reasonable solution of the question, but serve to make the talks more difficult."

The criticism appears to be directed particularly at remarks made by Mr Luce last Wednesday during a visit to Hong Kong. He had described earlier public statements by China as "unhelpful" to the talks and given a warning against "megaphone diplomacy."

But Xinhua, the Chinese news agency, said the Foreign Ministry criticism was also aimed at Mrs Thatcher, who had said on September 23 that there was "great political and financial uncertainty" about the colony's future.

China's latest remarks appear incongruous considering the intensive campaign of official statements and press reports which it mounted immediately before the last round of talks in an attempt to put pressure on Britain.

While both sides formally agreed to maintain confidence over the talks, China was the first to break ranks when it thought such action might help its negotiating position.

Japan's almanac points to winter election

BY JUREK MARTIN IN TOKYO



FORMER JAPANESE Prime Minister Kakuei Tanaka (left), was reported to be ill yesterday, nine days before a court verdict on his alleged involvement in the Lockheed scandal. He suffered a sudden rise in blood pressure, but his condition was said not to be serious. The verdict in the Tanaka trial may be a key factor in when Mr Yasuhiro Nakasone (right) calls an election.



Minister, sitting Diet (parliament) member and master of the smoke-filled tatami room, will discover if he is innocent or guilty of charges that he took \$2m in bribes while Prime Minister to promote the sale of Lockheed TriStar jetliners.

From October 30 to November 4, Chancellor Helmut Kohl of West Germany pays an official visit: from November 9-12, President Reagan does likewise: on or about November 20, Mr Hu Yaobang, the Chinese Foreign Minister, is due. Japan has rarely had such a succession of important state visitors in such a short period.

By December 31, the Government is obliged to have drawn up next year's budget, which will be austere and thus hardly

the stuff of which pre-election campaigns are made.

In between the dates, the calendar also has substance. The political consequences of the Tanaka verdict are already the subject of endless speculation. It is widely assumed he will be found guilty and then appeal; it is not, however, anticipated that he will take the easy way out and defuse the situation by resigning his Diet seat (to run again and probably be returned by his Niigata constituency whenever an election is called). The LDP, which, as a party, cannot profit from the Tanaka controversy, has not yet found a way to persuade him to leave the stage gracefully.

In any case the opposition will try and force him out unceremoniously from parliament. Such a motion cannot succeed unless elements in the LDP either support it or abstain from voting. Their dislike of Mr Tanaka appears profound but perhaps not to the point of going that far. Thus, if the motion to remove him is blocked, the opposition may have recourse to that favourite Japanese political tactic, the parliamentary boycott.

The Diet could also be brought to a standstill by disputes over one or more of the policy issues confronting it. The opposition wants a tax cut half as big again as the ¥1,000bn the Government appears to be proposing. The Government also wants "administrative reform", which means

budget cutting, and some higher indirect taxes, which the opposition reckons it can fight profitably in the eyes of the public.

The opposition Socialist Party, in particular, is likely to throw a fit if the Government tries to pare down the recommendations on civil service pay from its quasi-independent National Personnel Agency. It did so last year, but to no avail, as bureaucratic salaries ended up frozen for the year. Whenever the promised economic package stressing import promotion is unveiled (now scheduled tentatively for late October, but in any case before the Reagan visit) there are bound to be objections and criticisms from both sides of parliament.

The point is that any or all of these factors could come to a head at any time. Mr Keizo Obuchi, a leading member of the Tanaka faction of the LDP, foresees the Tanaka case and the tax cut issue both boiling over in late October. But a prominent local political analyst, Prof Rei Shirotori, doubts that a divided opposition and disaffected LDP members could ever manage to focus on more than one subject at a time. Both agree that the succession of visiting dignitaries will serve to restrain Government and opposition a little (since neither wants to contribute to an image of Japan in turmoil). Their presence also presumably rules out a November election.

Outbreak of shooting in Beirut

THE LEBANESE army clashed with militia gunmen in south Beirut yesterday and shells or tank guns were fired for the first time since a ceasefire one week ago, Reuters reports from Beirut.

An army spokesman said the outbreaks were not serious. He said it was not clear who the gunmen were. They were not from the big Shi'ite muslim Amal (hope) militia which still controls Shi'ite southern suburbs.

Meanwhile, a compromise in a dispute over observers for the ceasefire was reported under consideration yesterday. The plan is said to call for a United Nations force drawn up from countries chosen by Syria.

Reagan Asia trip under review

BY EMILIA TAGAZA IN MANILA AND REGINALD DALE IN WASHINGTON

PRESIDENT Ronald Reagan said yesterday that his entire five-nation Asian trip planned for November was under review, increasing speculation that he may call off his trip to the Philippines.

Earlier hints by the White House that the Manila leg of the trip might be cancelled had led to President Ferdinand Marcos of the Philippines to back away from his threats that a cancellation was "present problems with the U.S. bases" in his country.

Mr Marcos said on U.S. television late on Sunday that, while a cancellation would be a "setback," he "would leave it up to President Reagan and his advisers to decide whether or not the U.S. President's official visit to the Philippines should be cancelled for security reasons."

President Marcos did not, however, repeat previous remarks concerning the Clark and Subic bases, which are America's largest military facilities outside the U.S.

President Reagan said that the reassessment of the trip—which is also to include Japan, South Korea, Indonesia and Taiwan—was "based totally on the changed situation in Congress... and it is not involving the dropping of any country that is scheduled on the trip and it is only a discussion of postponement."

Nevertheless, there was speculation in Washington that Mr Reagan might be reconsidering the visit in the light of continuing violent political protests in the Philippines.

There was also speculation that Mr Reagan's planned visits to Thailand and Indonesia

might also be cancelled if the Philippines was excluded, at least in part, as a face-saving device for President Marcos.

The Philippines visit has been anticipated in Manila as an endorsement for President Marcos's Government, which has been beset by criticisms and suspicions of possible official complicity in the August 21 assassination of Mr Benigno Aquino, the popular opposition leader.

It is still apparent in Washington that the U.S. Administration wants to support Mr Marcos as a major ally if possible. However, the White House does not want Mr Reagan exposed to any humiliating experience or to associate himself too closely with Mr Marcos if the future of the Philippines Government is in doubt.

Kuwait central bank chief quits

KUWAIT'S financial community experienced its second major shake-up in the wake of its stock exchange crisis with the announcement yesterday by the Government of the resignation of Mr Hamza Abbas Hussein, the central bank governor.

Mr Hussein held the post from its inception some 15 years ago, and was much admired in local banking circles. It was largely due to his efforts that the Kuwaiti banks emerged relatively unscathed by the upheavals caused by the collapse on the Souk al Manakh stock market.

The governor is Abd'el Wahab al Tamar, chairman and managing director of the Kuwait Foreign Trading, Contracting and Investment company.

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TECHNOLOGY

Why 5¼ inch Winchester
are breaking through

FOR PERSONAL computer users, the next main acquisition is likely to be 5¼ inch Winchester discs for the mass storage of information. These discs will represent a market of U.S.\$142m next year according to some industry experts.

Why will these discs become popular on microcomputers? Well, this can be understood by looking at the development of the computer itself. In a small business or professional computing application, the user normally starts off with a simple operating system like CP/M and the basic computer peripherals such as a printer, floppy disc, screen and keyboard.

Applications are usually simple, such as financial modelling and order entry, but as the user gains experience more functions are added to the computer's tasks.

Then multi-tasking is usually added to the computer so that it can carry out more than one job at a time with more terminals and this demands greater memory capacity. Each time the computer has to carry out more tasks the greater is the need to access the disc system which means that fixed discs are the only real solution.

The reasons for the growth of Winchester discs is that personal computers will grow at an annual rate of 49 per cent until 1986 according to Dataquest market analysts. This coupled to the increasing office automation will demand greater memory storage capacities for the smaller office machines.

Winchester discs represent one of the fastest growing sectors in the computer market. It really got off the ground in the late 1970s. The market leaders in 5¼ inch discs — the systems

Professional
Personal
Computing

which are presently going into small business systems — are companies such as Seagate and Tandon in the U.S.

So far the bulk of products for all sizes of discs are U.S. produced. The U.S. produces five times as many discs as anyone else including the Japanese.

These memory systems are based on a thin layer of magnetic material, usually ferric oxide, laid on a circular rotating disc. A drive unit can contain one or more discs. Information in the form of binary digits—bits—is stored on concentric tracks recorded on the magnetic medium. Just like floppy discs, each track is subdivided into a fixed number of sectors.

Unlike floppy discs, Winchester discs cannot be removed from their casing — hence the name fixed or hard disc — but are capable of storing an enormous amount of information — typically between 10 and 500 mega-

bytes according to disc size, but the capacity of discs is increasing at a dramatic pace with an equivalent drop in price per megabit.

For example, according to a new report called Winchester Discs in Microcomputer Systems by Jonah McLeod, two new companies announced their intention to design and manufacture low cost, high capacity, 5¼ inch systems.

Vertex Peripheral, based in San Jose, California, says that it has a system capable of storing 72.8 megabits while Maxtor Corporation based down the road in Santa Clara claims that its design has a capacity of 190 megabits. McLeod says in the report that this is impressive when one considers that only three years ago when Seagate Technology opened up the market for 5¼ inch Winchester discs stored a mere five megabytes.

The first Winchester which came on the market used 14 inch discs and are still used on large mainframe systems. Now the market is moving down to standards of 5¼ inch discs and even smaller sizes around 3 inch are now emerging to suit the personal business computing market. It is here that the greatest growth is foreseen.

Low cost Winchester disc system started to become important around 1978 when companies such as Shugart and Memorex, the subsidiary of Burroughs, introduced drive technology to microcomputer systems. Until then the market was dominated by the high capacity, high performance system offered by companies such as Control Data and Century Data Systems.

ELAINE WILLIAMS

POINT OF SALE ELECTRONICS WILL GROW AS COSTS FALL

Retailers automate slowly

BY GEOFFREY CHARLISH

WITH ONE research source putting the total potential market for point of sale electronics terminals at 700,000 units in Western Europe, while another

claims that the cost of these devices is now effectively a third that of 1971, it's little wonder that over 30 companies are making offerings that will appeal further and further "down the market."

The first estimate came from Ronald Brown, author of a new Post-News report called Electronic Banking 1 dealing with credit card electronics and systems. The second was made by Dr. G.H. Jones, director of The Retail Management Development Programme (RMDP), at the 4th European Congress on Automation in Retailing held in London recently.

According to Jones, market penetration of electronic point of sale (EPOS) systems is still only one to two per cent in spite of 10 years of effort. He cites two main reasons for this.

One is that apart from some isolated areas, retailers still have a major headache in obtaining suitable and trouble-free software. He claims that few satisfactory designed standard packages exist so that software often has to be written from scratch. For many small retailers the software cost for a successful EPOS installation may well exceed that of the hardware.

The other problem is that while the European Article Numbering (EAN) coding system has taken root for many food products and for high volume low value merchandise in other areas, there is still

no sign of a standard for more general products. So each retailer has to tackle the problem for himself.

That is exactly what Tony Pask did at British Home Stores where there are now some 2,600 POS terminals on line in 120 stores operating on 65 controllers and covering some 50,000 products. Fifteen leased lines connect the controllers into the Luton headquarters via modems. There, the data is analysed and presented to management in many different ways.

Pask looked at magnetic striping of tickets attached to goods to begin with and then concluded that the expense was pointless. Instead, BHS builds the code into a label in the product itself, say in the neck of a shirt or the hem of a dress, and the assistant keys it in when the item is sold, at the same time looking up the price on the terminal. Goods are no longer individually priced, but Pask admits that care has to be taken to ensure that shelf-edge pricing corresponds with what is in the computer.

Some similar points about taking care with the customer were made at the London conference by Clive Newton, director of the consumer affairs division of the Office of Fair Trading.

OFT is resisting the end of visible, on-article pricing on the basis that "the customer cannot check that the price charged is the same as that at which the goods were offered."

Newton believes the next

stage in retail automation, electronic funds transfer (EFT), might prove rather more disagreeable without proper safeguards. In EFT the customer will offer a card, enter a personal identification number (PIN) and if there are sufficient funds in his account it will be immediately debited over the communications line to the bank computer.

What of the embarrassment, suggests Newton, if indeed the customer has inadequate funds?

Apart from privacy, safeguards that the OFT thinks might be necessary include a limit on customer liability if he loses both card and PIN (some people, not able to remember a four-figure number, write it on the card), and the prevention of any surcharges on customers who insist on writing a cheque and so "degrade" the system. In Belgium, says Newton, a case has come to light where it is made physically difficult to write a cheque at the sales counter unless one is left-handed!

In terms of card technology and EFT use, Ron Brown's report suggests that the industry has probably gone too far down the magnetic stripe road to turn back, although one system, developed by Drexler, already has a number of important licensees, mostly in Japan. So much data can be impressed digitally by laser on this card that the holder's encoded picture and life history could be put on it with plenty of space to spare for transaction logging.

This, and other solutions including "smart" cards with on-board chip computers and memory, are costly, claims Brown. And although card fraud is costing over \$400m a year in the U.S., that amounts to only 0.25 per cent of turnover and has to be set against the cost of more expensive, albeit more secure, card technology. Card losses in the UK amount to about £30m annually.

The only likely alternative to magnetic stripe is signature verification, according to Brown, in which the signature on the card is read, digitised and compared with a version in the computer corresponding to the holder's entered PIN number. There are also purely optical methods of scrambling and de-scrambling signatures.

Of necessity, perhaps, changes are brought about only slowly in the world of plastic cards. Although they are manufactured with magnetic stripes, the retailing transaction has been on paper using the embossed card surface for imprinting, although the stripe has been used in bank cash dispensers (ATM) for some time.

Only recently has Visa, for example, introduced the Electron card in which the embossing is done away with and all the data is in the stripe. Brown thinks the terminal market will move in two major directions. In one, the simple verification terminal will read the card and let the retailer know if the holder's credit is good by questioning the central computer over a phone line.

Post News is on 0935 88245. RMDF on 0273 729697.

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Machines
Teaching
systems

THE LATEST addition to the Feedback range of equipment is the low cost CNC machine tool module. Designated the CNC32, this small scale machine tool is used in conjunction with a microcomputer to teach the principles and programming methods used to control industrial machine tools with a computer.

The company says that this overcomes the need for students to practise on an expensive full size machine. More information can be obtained on 0826 3322.

Computers
Corona IBM
look-alive

MIDELTECH Distribution is now supplying the new personal computer from Corona Data Systems in the U.S. from stock. This is a range of IBM compatible personal computers which include a desk top, portable and hard disk system.

All systems are 16 bit and use the Intel 8088 microprocessor and include 320 k floppy disc drives. More details are available on 077 363 6511.

Microsoft heads for home

THIS COLUMN was designed to deal only with professional personal computers, eight or 16 bit machines of the IBM PC kind which are expected to be found on every executive's desk in the near future.

But already the nature of the game has changed. Now, with the launch of IBM's Peanut low cost computer imminent, machines at the upper end of the home computing range must be included. These will be the machines for the "professional family," the computers which will bridge the gap between home and office, home and school. (It seems remarkably enough, that 40 per cent of all personal computer users at present move their machines regularly between home and office.)

With IBM already, by most accounts, the victor in the battle for office personal computing, with an estimated 30 per cent of the total market by the end of this year, the market for "professional family" computers seems likely to be dominated by IBM PC compatible machines.

All of which makes the news that Microsoft, the software house which developed 16-bit systems software (software which runs the machine itself rather than its applications) for the IBM PC, is about to announce new systems software for eight-bit machines of special interest.

Microsoft developed a system called MS-DOS for 16-bit microcomputers; the IBM variation is

called PC-DOS. The importance of these systems is that they make possible the use of disc memory in a sensible way, turning the personal computer from a hobbyist toy into a business tool.

The new software (MSX-DOS) is a disk operating system for computers built to a standard for home computers drawn up by Microsoft and agreed by 14 Japanese and one U.S. microcomputer manufacturer.

The Japanese companies working on these MSX machines include: Fujitsu, Matsushita, NEC, Sony and Yamaha. The U.S. company is Spectravision.

The first of the MSX machines running Microsoft's MSX-DOS are expected to be shipped in January 1984.

David Fraser, Microsoft's UK general manager, said: "MSX-DOS was developed in response to the tremendous demand for a disk operating system (DOS) from Japanese MSX manufacturers who wanted a DOS with the standard MS-DOS disk format and user interface."

The new systems software will work with any type or size of diskette and can read files on disks created by MS-DOS (or PC-DOS). It is also compatible with Digital Research's best selling CP/M 80 disk operating system, the de facto standard in the 8-bit machine world.

Put bluntly, this means that executives already used to MS-DOS machines (like the IBM PC) will find themselves

instantly familiar with an MSX machine.

Second, files of information can be transferred from office MS-DOS machines to home MSX machines without the need for special translation facilities. A sophisticated spreadsheet like Multiplan runs under both MS-DOS and PC-DOS and the disks containing the data can be switched between the two kinds of machines.

And they will also have access to the thousands of computer programs which have been written to run on CP/M 80 as well.

According to Bill Gates, Microsoft chairman: "MSX-DOS provides manufacturers with a clear upgrade path. They will be able to offer their customers a disk-based system that is compatible with their low-cost machines and a wide range of software from different manufacturers."

Gates and Microsoft are involved in the design of a number of different computers from several manufacturers. The company was intimately involved in the development of the IBM PC and Gates is credited with having persuaded IBM that the machine had to be 16 bit (and therefore state of the art in terms of speed and power) rather than eight-bit.

It would not be unreasonable to suppose that Microsoft has had some influence in the design of Peanut. When it is finally launched a comparison with the MSX specification should prove interesting.

ALAN CANE

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E.N.I.

(National Hydrocarbons Authority)

6% Sinking Fund Debentures due November 1, 1988

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Sinking Fund for the Debentures of the above-mentioned issue, Morgan Guaranty Trust Company of New York, as Fiscal Agent, has selected by lot for redemption on November 1, 1983 at the principal amount thereof \$500,000 principal amount of said Debentures, as follows:

Outstanding Debentures of U.S. \$1,000 Each of Prefix "M" Bearing Serial Numbers Ending in the Following Two Digits:

22 23 43 52 61

Also Debentures of U.S. \$1,000 Each of Prefix "M"

Bearing the Following Serial Numbers:

3 877 1877 2877 3877 4877 5877 6877 7877 8877 9877 10877 11877 12877 13877 14877 15877 16877 17877 18877 19877 20877 21877 22877 23877 24877 25877 26877 27877 28877 29877 30877 31877 32877 33877 34877 35877 36877 37877 38877 39877 40877 41877 42877 43877 44877 45877 46877 47877 48877 49877 50877 51877 52877 53877 54877 55877 56877 57877 58877 59877 60877 61877 62877 63877 64877 65877 66877 67877 68877 69877 70877 71877 72877 73877 74877 75877 76877 77877 78877 79877 80877 81877 82877 83877 84877 85877 86877 87877 88877 89877 90877 91877 92877 93877 94877 95877 96877 97877 98877 99877

On November 1, 1983, there will become due and payable upon each Debenture the principal amount thereof, in such coin or currency of the United States of America as on said date is legal tender for the payment thereof of public and private debts, at the option of the holder, either (a) at the corporate trust office of Morgan Guaranty Trust Company of New York, 30 West Broadway, New York, N.Y. 10015, or (b) subject to any laws and regulations applicable thereto with respect to the payment, currency of payment or otherwise in the country of any of the following offices, at the principal office of Ente Nazionale del Lavoro in Rome or the principal office of Banca Commerciale Italiana in Milan or the main office of Morgan Guaranty Trust Company of New York in London, Brussels, Paris or Frankfurt or the main office of Algemeene Bank Nederland N.V. in Amsterdam or the main office of Kreditbank S.A. Luxembourg in Luxembourg.

Debentures surrendered for redemption should have attached all unexpired coupons appurtenant thereto. Coupons due November 1, 1983 should be detached and collected in the usual manner.

From and after November 1, 1983 interest shall cease to accrue on the Debentures herein designated for redemption.

ENTE NAZIONALE IDROCARBURI

By: MORGAN GUARANTY TRUST COMPANY

OF NEW YORK, Fiscal Agent

September 29, 1983

NOTICE

The following Debentures previously called for redemption have not as yet been presented for payment:

DEBENTURES OF U.S. \$1,000 EACH
M-7647 7670 7673 7688 7721

WORLD SHIPBUILDING INDUSTRY

Rays of hope—but jobs are still under threat

By Andrew Fisher, Shipping Correspondent

SHIPYARD MANAGERS around the world have become all too used to sheltering from the bitter winds that have swept through the industry in recent years. But there are some rays of hope, though still faint and unlikely to save many of the jobs now on the line as demand from struggling shipowners remains weak.

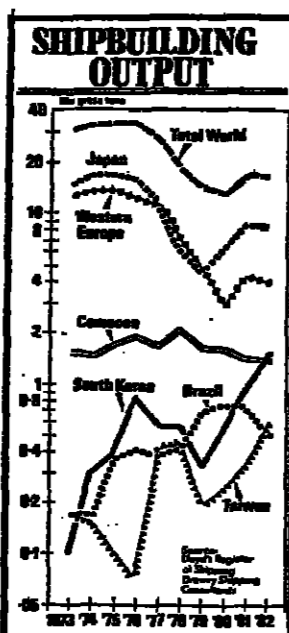
As world economies, led by the U.S., move slowly out of bottom gear, demand for cargo space and eventually for new ships will increase. Freight rates have been moving up this year, though hesitantly and patchily. New orders for vessels actually rose in the second quarter of 1983.

None of this is cause for celebration—not yet, at least. Shipowners remain convinced that there is still far too much building capacity available. This, they argue, leads to price cutting by eager yards in hard times, which in turn delays a reduction of the tonnage surplus.

Current world shipbuilding capacity is said to be around 40 per cent greater than is required, note London analysts Drewry Shipping Consultants in a recent study of the industry. "As long as there is over-capacity in shipbuilding, there will be over-supply of tonnage in virtually all trades," comments Fearnley, the Oslo shipbroking firm. "Further reduction in world shipbuilding output is still an essential ingredient in the re-establishment of balance between supply and demand for seaborne transportation."

Since the heady shipbuilding days of the early 1970s, world order books have shrunk alarmingly. The peak year was 1974, with more than 133.4m gross tons on order during the first quarter.

But then came the oil crisis,



Happier times: IHI's Kure yard, in Japan, at the height of the super tanker boom

putting an end to the boom in supertankers which shipowners had been madly scrambling to add to their fleets. Since countries like Japan and Sweden had invested heavily in facilities to build the seagoing monsters of 200,000 dwt and upwards, the industry had to contend with severe over-capacity.

With economic slackness reducing freight rates and demand for ships, shipbuilding orders sunk during the rest of the decade to a low point of 25.1m dwt early in 1979. Thereafter, the industry began to improve as owners sought to cash in on the short-lived boom in bulk carriers.

Encouraged by impressive forecasts of prospects for ships to carry coal—one of the main bulk cargoes along with iron

ore and grain—they rushed to place orders for such vessels, especially of the 60,000-80,000 dwt Panamax size, able to go through the Panama Canal.

So by the first quarter of 1981, order books reached a new mini-peak of 37.5m dwt, before slipping back again. This year, the regular Lloyd's Register figures have shown a further slight drop in the first quarter to 36.6m dwt, with the order backlog up a little in the second to 29.7m dwt.

Chiefly responsible for the latest uplift is a bewildering spate of orders from one of Japan's leading shipping companies, Sankei Steamship. The orders, which have gone to Japanese yards, total over 100 ships and are for bulk carriers in the smaller 20,000-40,000 dwt

range, known as handy-size. Many shipowners have thrown up their hands in horror at the Sankei orders, arguing that these can only add to the problems of their industry by making it even longer before demand and supply finally match. Sankei, however, says it is discarding many of its older ships as it receives the new ones.

Sankei is not the only company buying new ships. Also in the search for new bulk carriers are Mitsui OSK, another major Japanese shipowner, the Iranian Government, the Shipping Corporation of India, China, and U.S., Greek and Norwegian owners.

As Lloyd's Shipping Economist points out, the type in vogue at the moment is not Panamax but handy-size. One

key factor in the shipowning equation is the cheap prices offered by Japanese and South Korean yards for series-built ships.

Since the bottom of the shipping cycle now seems to have been reached, even though recovery is slow, some owners want to take the opportunity to invest in more modern tonnage. Drewry reckons that new ship prices fell by between 20 and 30 per cent from the end of 1980 to the first quarter of 1983.

Price-cutting among world yards, comments Lloyd's Shipping Economist, "provided a possibly unique opportunity for fleet expansion."

The accumulation of orders such as Sankei's is not wholly determined by price, however. Lloyd's reckons that the ships

being ordered in Japan will be used mainly for grain. In the iron ore and coal trades, Japanese shippers normally use Japanese-owned vessels or have them on long-term charters. But for grain imports, especially from the U.S. Gulf, Japanese shippers have, until now, chartered many ships from non-Japanese owners for single voyages.

However, canny or far-sighted the actions of some owners in buying now rather than later, these seem bound to postpone any return to equilibrium in shipping. The 1983 ordering boom has inevitably damaged the future tonnage balance," said Lloyd's Shipping Economist.

At the end of 1982, it was thought that the handy-size sector would return to a supply-demand balance late in 1984,

assuming no further orders, a steady level of scrapping, and yearly growth in demand for ships of 3 per cent. But it now looks, says Lloyd's, as if this has now been put back to mid-1986, though some new buyers intend to scrap more of their older tonnage.

For medium-size ships of 40,000-60,000 dwt, the date of balance has been postponed from early to late 1983. But for those over 80,000 dwt, the picture seems a little brighter, with balance now likely in mid-1985 instead of early 1986, as new ordering has been less heavy.

Whatever the order book trends in the next few months, most shipyards will be hard pressed to avoid further losses or job cuts, especially in Western Europe. British Ship-

builders, the state-owned UK group, plunged into a trading deficit of £117m last year and has not had a major merchant ship order for some months.

In West Germany, the situation is even more serious. On the north coast, anxious workers have staged sit-ins at two major yards. The industry has already cut capacity sharply and further planned reductions threaten numerous jobs. More state support to keep the remnants of the industry alive is now being vociferously requested by companies.

The centre of gravity on the world shipbuilding scene has undoubtedly shifted to the Far East over the past decade. Cheaper prices and greater efficiency—at least in Japan—have left most European and other yards floundering. South Korea, which has reined in its expansion programme in the current slump, is now No. 2 in world output.

Ten years ago, Western Europe accounted for over 40 per cent of world ship production. Last year, it was 23 per cent. In its annual report on the industry in Europe, the EEC Commission criticised the pricing policies of Japan and Korea, notably the latter with its lower wage costs. It charged that such policies had helped fill order books at the expense of European yards which had to continue their reliance on subsidies.

But the migration of shipbuilding business away from Europe has not only benefited Japan and Korea. China and Taiwan have also been steadily building up their yards. The decline of the European industry has been an inescapable reality for some years. In the UK, the slide has been especially marked—from nearly 40 per cent of the world market in 1968 to 40 per cent in 1980 and just 3 per cent today.

MAIN SHIP TYPES ON ORDER

	June 1983	March 1983	Dec 1982
Ore and bulk carriers...	15.0	11.4	12.0
General cargo ships...	1.9	5.5	1.9
Tankers...	4.0	4.4	4.3
Specialised carriers*	1.7	1.7	1.5
Bulk/oil carriers...	0.9	1.2	1.6
World total...	23.7	26.6	29.2

* Includes gas and chemical carriers.

Source: Lloyd's Register

SHIPBUILDING ORDER BOOKS

	June 1980	June 1981	June 1982	June 1983	(Change on 1983 1st quarter)
Japan...	12.0	14.7	11.4	11.4	(+2.6)
S. Korea...	2.2	2.7	3.2	3.6	(+1.5)
Poland...	1.7	1.5	1.4	1.5	(+0.8)
Spain...	1.9	2.5	1.9	1.5	(-0.8)
Brazil...	2.3	1.6	1.7	1.3	(-0.1)
Taiwan...	0.9	1.3	1.4	0.9	(-0.1)
UK...	0.9	0.9	1.1	0.7	(-0.6)
World total...	32.5	37.5	32.7	29.7	(+2.1)

Source: Lloyd's Register

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Issued under Collateral Trust Indenture dated as of November 1, 1970

NOTICE IS HEREBY GIVEN that pursuant to the provisions of the above mentioned Indenture, \$1,226,000 principal amount of the above described Bonds has been selected for redemption on November 1, 1983, through operation of the Sinking Fund, at the principal amount thereof, together with accrued interest to said date, as follows:

Outstanding Bonds of \$1,000 each of prefix "M" bearing the distinctive numbers ending in any of the following two digits:

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Also Bonds of \$1,000 each of prefix "M" bearing the following serial numbers:

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On November 1, 1983, the Bonds designated above will become due and payable as aforesaid in such coin or currency of the United States of America as at the time of payment shall be legal tender for public and private debts. Said Bonds will be paid, upon presentation and surrender thereof with all coupons appertaining thereto maturing after the redemption date, at the option of the holder either (a) at the Corporate Trust Office of Morgan Guaranty Trust Company of New York, 60 West Broadway, New York, New York 10015, or (b) subject to applicable laws and regulations, at the main offices of Morgan Guaranty Trust Company of New York in Brussels, Frankfurt (Main), London, Paris or Zurich, or Credit Romandese S.p.A. in Milan, or Banque Generale du Luxembourg, S.A. in Luxembourg, or European-American Bank & Trust Company in New York City, or Deutsche Bank Aktiengesellschaft in Frankfurt (Main). Payments at the offices referred to in (b) above will be made by a check drawn on, or by a transfer to, a United States dollar account maintained with a bank in the Borough of Manhattan, The City of New York.

Coupons due November 1, 1983 should be detached and collected in the usual manner. On and after November 1, 1983 interest shall cease to accrue on the Bonds herein designated for redemption. Following the aforesaid redemption, \$5,000,000 principal amount of the Bonds will remain outstanding.

Dated: September 29, 1983

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UK NEWS

British Gas given warning on prices

By Ray Deiter, Energy Editor

BRITISH Gas Corporation will have to pay much higher prices for its future supplies if it is to avoid running seriously short of natural gas in the 1990s, according to a North Sea report published today.

Gas to be delivered by North Sea operators under existing contracts will meet only 30 per cent of the expected demand from British Gas customers in 1990, says the stock-brokers firm of Wood, Mackenzie. It estimates that British Gas could face shortages as early as 1988 if no new supply contracts are signed in the meantime.

On the other hand, the brokers acknowledge that the corporation has plenty of opportunities for arranging fresh deliveries from producers in the UK and Norwegian sectors of the North Sea. The report concludes that the UK should be able to attract sufficient gas to satisfy demand "in the foreseeable future."

But price is likely to be a key to the corporation's ability to obtain fresh supplies. Under long-standing contracts, British Gas is still paying producers between 3p and 10p a therm although, in a bid to encourage the development of new UK fields, the corporation has been offering oil companies between 22p and 23p a therm.

Wood, Mackenzie points out that even these new prices are less than rates being agreed between North Sea producers and European continental gas utilities. The report says that if gas was valued on the same basis as crude oil, British Gas would be paying nearer 35p a therm.

ELECTION POLICIES WERE RIGHT, CONFERENCE TOLD

Labour decides on a new look

BY IVOR OWEN

DELEGATES ENDED the inquest into Labour's general election defeat yesterday by calling for existing policies to be presented in an improved way, not dropped altogether. The party machine should also be radically overhauled, they decided.

Mr Neil Kinnock, the party's 41-year-old new leader, frequently led the applause at the annual conference as the need to stop internal feuding and present a united front, particularly at the top, was underlined by rank-and-file speakers.

Mr Kinnock warned that Labour could not afford to wait until the run-up to the next election to prove that it could offer a credible alternative government, and the conference responded by overwhelmingly approving a resolution for a campaign committee to be set up soon.

Mrs Barbara Castle, the former Cabinet minister who is now a European MP, appealed to delegates to dispel the apathy which marked the first direct election to the European Assembly in 1979 and to ensure that Labour finished ahead of the Alliance of the Liberals and the Social Democratic Party when Brit-

ain's 81 seats are contested again next June.

She stressed that if Labour trailed in third place, it could set the pattern for the next general election and be "a mortal blow to us."

Mr Jim Mortimer, the party's general secretary, won applause when he argued strongly that the decision to make jobs and unemployment Labour's main themes at the election had been valid. "I do not believe we should retreat from these main themes," he declared.

It was true that Labour had failed to persuade a majority of the electorate, but it remained true that the re-emergence of mass unemployment, coupled with the contraction of the economy, was a social disaster.

He contended that Labour had been right to campaign for social welfare and the protection of the National Health Service, to reaffirm its continuing support for the trade unions' constructive role, and to warn of the dangers of the nuclear arms race.

Mr Mortimer revealed that the opinion polls commissioned by the

party showed the heaviest adverse majorities had been recorded not on nuclear weapons or the Common Market but on the association of the identity of trade unionism and the activities of trade unionists with the Labour movement.

To cheer Mr Mortimer said: "I do not believe we should yield one inch on this issue. We have to point out that trade unionism is essential for the protection of working people."

Mr David Bassett, general secretary of the General Municipal Boilermakers and Allied Trades Union, explained that a combination of legal restrictions on political donations by unions - about to be extended by Mr Norman Tebbit, Employment Secretary - and union members' reluctance to provide more money for political purposes, meant a possible loss of £2m a year in expected income to the party.

Mr Bassett saw this as "a desperate financial prospect." He contended that the inadequate presentation of policies had been one of the most glaring failures in the last election campaign.

Changes proposed in arts funding

By Antony Thornicroft

THE FUNDING of the UK's leading arts organisations could be transformed if the Government accepts a report into the financial affairs and prospects of the Royal Opera House in Covent Garden and the Royal Shakespeare Company. The report has been prepared for the Minister for the Arts by Mr Clive Priestly, former head of the Government's Efficiency Unit.

Among Mr Priestly's recommendations are that the two companies and, by implication, the other two of the Big Four national arts organisations - the National Theatre and the English National Opera - should be financed either directly by the Government or through a sum of money given to the Arts Council for this purpose, which would amount to the same thing.

The acceptance of this suggestion would greatly reduce the power and influence of the state-funded Arts Council. Sir William Beech-Mann, chairman of the council, said yesterday: "Direct state funding of an artistic company is as unacceptable as direct state funding of a newspaper. Like the governors of the BBC, the Arts Council exists to protect the independence of creative people."

The report suggests that both companies are under-funded. It recommends that their deficits in the current year should be wiped clean, and that for 1984-85 the Royal Opera House should receive £12.35m (a rise of £1.8m on current projections) and the RSC £4.9m.

More Vauxhall workers vote to continue strike

BY BRIAN GROOM, LABOUR STAFF

THE CHANCES of an early end to the strike by nearly all Vauxhall Motors' 14,500 hourly-paid employees hinge on a crucial meeting of 7,500 workers at the Luton car plant, Bedfordshire, this afternoon.

About 1,800 Transport and General Workers Union members at Ellesmere Port in Cheshire voted overwhelmingly yesterday to reject the company's latest offer, which is worth 1.75 per cent over 12 months, or 8 per cent when fringe items are added.

They will continue the strike, which began last Friday and prevented production restarting yesterday after the weekend break. The 2,400 Amalgamated Union of Engi-

neering Workers members at Ellesmere Port will be urged to reject the offer at a meeting today.

If there is any sign of weakness in the car workers' united front, it is more likely to emerge at Luton, where the vote may be closer. Shop stewards there will meet this morning, before the mass meeting.

The 2,000 commercial vehicle workers at the nearby Bedford trucks division at Dunstable are already divided. About 400 of the 1,000 Engineering Union members, who voted last week not to strike, crossed Transport Union picket lines yesterday.

There was no violence, but there were some arguments with pickets.

BL car output rises

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE GAP between BL, Britain's leading car producer, and Ford in second place, widened even further in the first half of this year.

BL's car output, at 240,678, was 8,902 units or 3.90 per cent higher than in the same period of 1982. Ford's production of cars fell slightly, by 374 to 174,141. Although Ford outsells BL in the UK, about half of its cars are assembled on the European Continent.

However, the main influence on the first-half figures was the rebound at Talbot, the Peugeot group

subsidiary, where output jumped by 192.7 per cent, or 43,968, to 66,773.

That was due to the recovery in demand from Iran for the Talbot car kits that go towards making the Peykan, based on the old Hillman Hunter saloon.

An analysis by the Society of Motor Manufacturers and Traders shows that car production in the half year rose 13.9 per cent or by 67,558. Vauxhall, the General Motors subsidiary, was the only company apart from Talbot to outperform the overall production rise.

Nuclear test cancer study

By Bridget Bloom

THE EFFECTS of Britain's nuclear weapons tests in the South Pacific on the 12,000 people who were involved in them between 1952 and 1967 are to be the subject of a study, the Ministry of Defence announced yesterday.

The study will be carried out by the National Radiological Protection Board. It will be confined to a comparison of the deaths and incidence of cancer among the 12,000 servicemen and civilians estimated to have taken part in the tests and associated operations, and a "control group" of 12,000 others.

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Blossoming prospects for plant producers

BY INTRODUCING a shade more pink into the dark green leaves of his hyacinths and a tinge more red around the edges of his dracaena marginata, Mr Jeremy Pertwee has helped Britain's house plant industry break out of the corner florists and into the high street multiples.

The careful cultivation of hardier and more exciting varieties of tropical plants has attracted the multiple retail chains such as Marks & Spencer, F. W. Woolworth and Asda.

The stores' demands for large numbers of house plants of constant high quality has been the making of Pertwee's New Ruston Garden Company with its 16 acres of glass just outside Clacton-on-Sea, Essex.

Success

"The multiple stores like Marks & Spencer specify the size and shape of the plant and the number of leaves," Mr John Oakley, managing director at Ruston, said. "I sometimes feel we do better to produce them by plastic extrusion process."

The rapid growth of the house plant market—from a turnover of £15m in 1970 to £100m last year and a projected £150m in 1985—lies behind Ruston's sales success, but it has also put an intolerable strain on the company's finances.

It recently announced plans for a reverse takeover by The Sampang (Java) Rubber Plantations, a small rubber producer with a quotation of the Unlisted Securities Market.

Nominally Sampang will take over Ruston, but Ruston will contribute the bulk of the profits and turnover in the next

Charles Batchelor explains how one grower cultivated the high street demand for greenery

few years and will effectively be in control.

Mr Jeremy Pertwee will become chairman of the merged group, which will be renamed Applied Botanics. Group profits of £400,000 on turnover of £4.5m have been forecast.

Ruston now claims to be the largest company in the foliage plant market having outstripped the two companies it sees as its main rivals, Geest Holdings of Spalding, Lincolnshire, and Thomas Rockford of Turnford, Hertfordshire.

Geest achieves turnover of about £8m from its plant-growing operations, contributed equally by the foliage and flowering plant activities.

This is only a small part of the Geest group's annual £290m turnover from its fruit and vegetable distribution activities; bananas are its single largest line. Founded by two Dutch-born brothers in the 1930s, the company is also a large bulb and rose grower.

Geest has 22 acres of glass at Spalding and next month opens a new £1m warehouse and glass complex. It sees the greatest potential in flowering rather than foliage plants, whereas Ruston says foliage plants last longer and give better value.

Mr Bill Barnacle of Geest said: "Basic demand for foliage will continue but as more

people have green plants in their homes they will then look for the colour provided by flowering plant varieties."

A disadvantage of flowering plants is that demand is strongly seasonal, reaching peaks around Christmas, Easter and Mother's Day, while foliage plants tend to sell steadily throughout the year.

Ruston has achieved rapid growth by developing nurseries on Montserrat and St Lucia in the West Indies where the natural sunlight and warmth promotes in a matter of weeks plant growth which would take months and tonnes of heating fuel even in sunny Clacton. Geest, too, has nurseries on St Lucia.

Ruston has spent the past few years building up sufficient stocks of mother plants on its West Indies nurseries from which to take cuttings. These are then sent to Clacton where they are rooted and potted either in simple plastic containers or, increasingly, in mixed displays in earthenware bowls.

A plant which would take 28 weeks to grow to shop-readiness in Clacton can now be started in the West Indies and finished off in six weeks in the UK.

Quality

Building up the stocks in the West Indies and buying-in from outside suppliers to bridge the gap badly dented Ruston's finances, but the profits are now starting to flow.

Controlling the quality of the plants from the outset is important in view of the increasingly high standards set by the retailers. With 150,000 to 200,000 plants leaving the greenhouses each week, each one the product of between two



Mr Jeremy Pertwee at Ruston's Clacton base

and five cuttings, the demands are enormous.

Mr Pertwee works closely with the big retailers such as Marks & Spencer on the choice of plants, the colours of leaf which are likely to appeal, and even on the style of ceramic bowl.

For companies which lack such tight in-house management controls, Ruston provides a merchandising service. It selects someone to work on a self-employed basis at each large store, receiving deliveries, arranging displays, making sure the plants are watered and keeping the shelves filled.

It now serves 110 stores owned by companies such as Asda, F. W. Woolworth and Carrefour on this basis. It also makes straightforward deliveries to retailers who then take full responsibility for the sales.

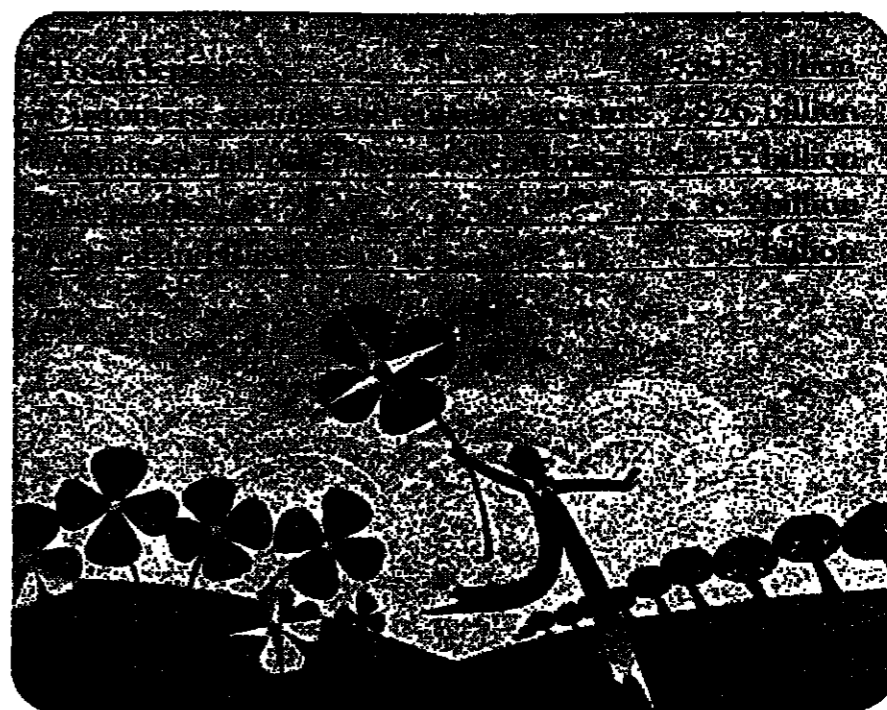
Mr Pertwee is now putting a lot of thought into the design of the plastic labels which accompany his plants.

"The label is the first thing people pick up, so to ignore it is a marketing sin."

"We introduced the label idea from the U.S. but recently the quality of information has not been good. People don't want to know that a plant needs keeping within five degrees of 20°C; they want to know if it will be happy in their front room."

Taste in the house plant world changes rapidly. Yucca, in Mr Pertwee's eyes, is giving way to an improved version of the dragon tree—dracaena marginata. He has high hopes for the aglaonema, or silver queen which manages well in poor light and should do well in that dark corner of the sitting room.

Did you know?
This year, too, our accounts speak for themselves.



This is the balance sheet information for the financial year 1982 approved by the Shareholders' Meeting of Banca Nazionale dell'Agricoltura. The profit for 1982 shows an 11.7% increase over the previous year. Capital and reserves, after new

appropriations for about 75 billion lire and monetary revaluation of certain assets in accordance with the "Visentini-bis" law for 74 billion, have reached the total amount of 535 billion, representing an increase

of 34.5%. At the annual General Meeting it was resolved to incorporate into Banca Nazionale dell'Agricoltura the subsidiary Banca Catto St. Porpora which has four branches operating in the Salerno area.



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Mail Order

Interim Consolidated Financial Statement for the 28 weeks ended 13th August 1983 (subject to the year-end audit)

	28 weeks ended 13th August 1983	28 weeks ended 14th August 1982
£000's		
Turnover	142,523	161,498
VAT	16,737	18,514
	142,784	142,984
Trading profit	5,719	4,653
Interest payable	1,154	1,503
Profit before taxation	4,565	3,150
Taxation	2,330	1,181
Profit after taxation	2,235	1,969
Interim dividend	1.5p per share 1,342	1.5p 1,340

Sales caught up with the level of the previous year at the very end of the period. It had to be expected that the strong and positive action taken against uneconomic agencies, slow-paying customers, and potential bad-debt would make any increase in sales difficult to obtain.

The improvement to profit has come through rather faster than expected. The main reason for this has been a sharp fall in the bad debt charge, not anticipated before the autumn. Interest charges also show a useful decrease. Borrowings at the interim date showed a significant reduction from the figure at the beginning of the year to give a debt/equity ratio of 23.5%.

The issue of the Autumn/Winter catalogue in July coincided with the long spell of hot weather which caused demand to fall below the same period in 1982. At the same time sales, derived from orders placed to previous catalogue, were catching up. Thereafter demand continued to be poor until the weather changed early in September and since then some of the lost business has been made good. With the vital Christmas trade still to come, the pattern so far gives little guidance as to the likely second-half sales. Without that information, it is impossible to predict the profit for the full-year, but the progress so far is encouraging.

Freemans PLC 139 Clapham Road London SW9 0HR



Lloyds Bank Interest Rates

Lloyds Bank Plc has reduced its Base Rate from 9.5% to 9% p.a. with effect from Tuesday, 4th October 1983.

Other rates of interest are reduced as follows:
7-day-notice Deposit Accounts and Savings Bank Accounts—from 6% to 5.5% p.a.

The change in Base Rate and Deposit Account interest will also be applied from the same date by the United Kingdom branches of

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Rigby goes to BASF

At ROBINSON AND SONS, Chesterfield, on October 1, Mr Philip Robinson, at present director and general manager of rigid packaging, becomes managing director of the packaging division. He will be succeeded

*

PRITCHARD JANITORIAL SUPPLIES has made the following appointments: Mr Chris New-

★
Mr John Corbet-Singleton has been appointed marketing director of DAVIDSON PARK AND SPEED. Mr Corbet-Singleton was group marketing director of Overseas Containers and chairman of Overseas Containers (Europe).

A.B.N. Bank	9 1/2 %	■ Hambros Bank	9 1/2 %
Al Baraka International	9 1/2 %	■ Heritable & Geo. Turner	9 1/2 %
Allied Irish Bank	9 1/2 %	■ Hill Samuel	9 1/2 %
Amro Bank	9 1/2 %	■ C. Hoare & Co.	9 1/2 %
Henry Ansbacher	9 1/2 %	■ Hongkong & Shanghai	9 1/2 %
Arbuthnot Latham	9 1/2 %	■ Kowloon & South China Ltd.	11 1/2 %
Asiatic Bank	9 1/2 %	■ Kowloon & Co. Ltd.	9 1/2 %
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THE ARTS

Photographers/London Galleries

The mechanical eye

The status of photographers as creative artists even now remains ambiguous, though the argument for the photograph as art is as old as photography itself, and would appear to be largely won.

The few doubts that remain centre principally on the contemporary field. For the trouble is that though all the implements of the artist are manifest tools, the camera is the most obviously mechanical of them all; from which follows the unwelcome thought that its product, rather more than the artist's hand, is ever the case with pencil or brush, is determined less by manipulation than the processes of the mechanism itself; and from the subconscious prejudice comes the sense that the medium of photography is more functional than creative.

Certainly the suspicion of Art Photography as such is general, and it is as remarkable as it is inescapable that the great majority of the photographers we now celebrate as artists were all working to some demonstrable point, either towards the technical development of the medium in the early days, or later to a journalistic or documentary end. The paradox is that having acknowledged the end to be served in such work, we no longer worry too much about it, but turn at once to celebrate precisely those qualities of Art which we distrust so much: technical mastery and invention on the one hand, personal vision and humane insight on the other.

Three current exhibitions by distinguished and even famous practitioners make the point, if in rather a backhanded way. David Bailey (at the V & A until November 27), Don McCullin (Olympus Gallery until October 18) and Cornelia Lucas (Photographers' Gallery until October 8—and then on tour) are all as well established in their careers as it is possible to be, but whatever their ambitions and pretensions, the nature of their various success is such that they would hardly use 'artist' yet of any one of them.

David Bailey is perhaps the



Don McCullin's "Refugees in Beirut"

most intriguing case of all, for of the three he has been the one most inclined towards the more self-consciously experimental, both technical and expressive. This has been especially true of his published work in recent years; and yet he has continued active in the field of fashion photography, in which he first made his name, and there can be little doubt that whatever else he does, his work to commission there, to satisfy the preferences of client, editor and director, will last as being amongst his very best. Such constraint, as in all the arts, is a kind of freedom.

His exhibition, however, does not give us the recent work, but stops at 1969 with a selection of his curious and now potentially evocative epigrams to the Sixties, "Goodbye Baby and Amen." It is not to dismiss the work to say that the emphasis is perhaps misplaced; for we begin at the beginning in the

late fifties, but are rushed through the earlier phases to the point around 1965 when Bailey can be said truly to have arrived, a star of Vogue and a national figure. He had found a style, a way of working and a characteristic image, the figure set into the white limbo of the studio, strongly lit, with great emphasis upon the silhouette, the portrait often close up to the point of distortion. It is the style of the later sixties and very well done, not revolutionary exactly, but an idiosyncratic contribution to a strong tradition, out of Avdon and Brandt. But rather than have the style shown as it was fixed, we might well have seen rather more of its development, in the early years with Vogue especially, with the imagery more natural and on the wings, and the contrived spontaneity of the location shot. He produced some of his best work before 1965, both in and out of Vogue, his deserted East End streets, the debt to Brandt

notwithstanding, quite remarkable. Don McCullin's show is a tour de force. He is of the same generation as Bailey, and there are many similarities in their work: the same tonality in particular, and the same simplicity of composition and emphasis; and they share too the same technical command. But he is a very different kind of photographer in essence, and, having no immediate pretension to his work to creative expression, but only the compulsion to record what he sees, he reveals himself as an instinctive artist. He has no studio in which to set and control the image, but must respond to what chance puts his way. And as he works he must get it right in every sense, technical and expressive, almost without thinking. His material is inherently disturbing, often horrific, for he has always been drawn to what Goya knew well enough as

The Disasters of War; and it is his technical discipline which keeps him, and us, at the necessary psychological distance from his subject, however close he may take us in fact, that allows us to see what would otherwise be unviewable. His eye is such that everything he sees resolves itself into a significant and potent expressive image, simple, uncomplicated, refined.

His subject here in Beirut, torn apart by civil war: a man bends over an old man in the hospital, who stares fixedly at the camera with his one eye; a mourning family stands together like an ancient chorus; a terrified group huddles together with hands in the air; the corpse of an old woman lies stretched out beneath a tree; bodies under the stairs; men with guns; rescue parties; a mass grave. No gloss is given, and none is needed. It is the artist and not the photographer who makes the point.

With Cornelia Lucas we are back with fashion and portrait photography but rather of the generation of the fifties than the sixties, though he continues as active as ever. The work of the fifties has too often been discounted for the sake of what came later and the direct comparison we can make between Lucas and Bailey the more useful for that: Lucas the consummate professional preserver always a degree not of accessibility so much as personal detachment, Bailey ever more directly involved.

Lucas began as a photographer at Pinewood studio and he has retained always something of the high gloss of the studio image that we knew in the Hollywood photography of the same period: but he was never a fantasist, for all the glamour and vanity of the film world, and his portraits of Bardot and Bacall, for example, serving their iconic purpose admirably, remain nevertheless accessible as credible images of real and interesting people. His professionalism betrays his subtlety and he is more of an artist than he would ever claim to be.

WILLIAM PACKER

The Met at 100



Jessye Norman

On 22 October 1883 the Metropolitan Opera gave its first performance—Faust, with Christine Nilsson. One hundred years later, the company is en fête. On the exact anniversary day an eight-hour gala, divided into afternoon and evening segments, will gather together a crowd of stars for a Grand Vocal Concert of the kind New Yorkers particularly relish (it will also be televised and transmitted, at least in part, internationally).

But the choice for opening night of the centennial season fell on a work that can only be contemplated by an organisation serious in intention as well as vast in resource—Les Troyens, given absolutely complete on a single evening. As the New Grove puts it, "Originally conceived as a series of dramatic sketches who could not obtain boxes at the Academy of Music, the Metropolitan Opera has transcended its initial purpose," the selection and the execution mirrored the dual concerns of the Met and its audience, both the desire to put on and be part of a big show and the urge to reproduce the nobler side of opera on a large scale. At the premiere there were indeed a "score of millionaires" in the house, and a vast host of dignitaries and celebrities besides—but the performance was widely reported as being imperfectly finished. By second night it was starting to pull together.

On the simplest level, the work gave pleasure by being in scale with the huge house—wide stage, high auditorium and impressive acoustics (which, even from a seat quite far back in the stalls, kept a vivid balance between voices and orchestra) all seemed to conspire together to draw an authentic thrill from Berlioz's largest inventions. It was worth crossing the Atlantic to hear the mass of sound so easily and authoritatively spread out where at Covent Garden congestion is an obvious danger—the "châtiments éroyables" ensemble in the first part, the whole of Dido's death scene.

There is still, however, some way to go before the whole is the equal of its best parts. James Levine has the measure of the work's length but not of its full depths. To a Londoner who caught up in the tail-end, at least, of the Trojans redemptively, this was here felt to be just another grand opera, to be conducted with care and accuracy but not with the excitement that issues from special belief. Detail known to be

crucially significant to the unfolding of the drama tended to be passed over; one listened to foreground or background, Peter Wexler's designs, which revolve and trolley in constant activity for no stronger reason than that they are there to do so, never at any point discover an epic tone; one after another, the great strokes—entry of the horse, death of the Trojan women, departure of the ships, worst of all the non-enactment of the Royal Hunt—are fudged, in Fabrizio Melano's production the chorus troops on into oratorio positions and then troops off again. Costumes, crimson and gold, are Hollywood-spectacular. From a mantic point of view the staging operates by non-interference; any more positive attribute is hard to discern.

In spite of such faults, however, this is a noble undertaking by comparison with the other offerings of the first week, predictable Met stuff. La forza del destino is reduced to long, dull routine by Grace Bumbry (superficial and vocally strenuous), Carreras, Brunsen, and an elderly-sounding Nicolai Ghiaurov, and by Levine's rushing and pushing rather than unfolding of the music.

For Joan Sutherland the Fille du regiment romp has been revived; the audience has a high old time, applauding in its undisturbed mood the offerings of the first week, predictable Met stuff. La forza del destino is reduced to long, dull routine by Grace Bumbry (superficial and vocally strenuous), Carreras, Brunsen, and an elderly-sounding Nicolai Ghiaurov, and by Levine's rushing and pushing rather than unfolding of the music.

Even Jessye Norman's words lacked at times sharpness of

cut on all other counts, Miss Norman's delayed house debut as Cassandra was the single indisputable success of the whole enterprise. The voice, better fitted for queen than prophetess (later in the run the two female leads are due to exchange roles), could not make the cry of "Malheur" ring out above the chorus. Yet the style, immensely grand, economic of gesture, genuinely warm but never obvious, showed how much the artist has developed since those unready Cassandra at Covent Garden more than a decade ago. Her presence was in the best way theatrical, in a performance otherwise short on just that kind of focus in the foreground.

The production, first given in 1974, offers little interest to foreground or background, Peter Wexler's designs, which revolve and trolley in constant activity for no stronger reason than that they are there to do so, never at any point discover an epic tone; one after another, the great strokes—entry of the horse, death of the Trojan women, departure of the ships, worst of all the non-enactment of the Royal Hunt—are fudged, in Fabrizio Melano's production the chorus troops on into oratorio positions and then troops off again. Costumes, crimson and gold, are Hollywood-spectacular. From a mantic point of view the staging operates by non-interference; any more positive attribute is hard to discern.

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MAX LOPPERT

Final curtain for NYT?

When the curtain went down on Saturday on the last night of the National Youth Theatre production of *Hamlet*, it also marked the end of an era. For after 12 years at the Shaw Theatre, the company, founded by Michael Croft in 1971, is homeless again.

The company's future began to look unsure in 1980 when the Arts Council cut off all subsidies to the National Youth Theatre and its professional Shaw Theatre Company. Two years later the Greater London Council also severed grants to the company.

Camden Council, which owns the Shaw Theatre, then terminated the NYT's lease of the theatre. The company is to leave from next month, with the offer to return for summer seasons. Michael Croft is urgently seeking alternative premises for the NYT and had planned to move into a furniture store in Kentish Town. A fortnight ago, however, the furniture store was unexpectedly pulled out of the deal.

The future had begun to look brighter when Texaco stepped in last year with sponsorship funds amounting to £88,000. The oil company also put up £10,000 for the NYT's playwrighting competition. But there is no guarantee that the company will continue to back the NYT in the coming year. "To lose a home is no encouragement to any sponsor," said Michael Croft, "nobody wants to pick up a pauper—not even an oil company."

Mike Westbrook/Snape Maltings

Christopher Lorenz

On the sun-drenched seafloor of Benjamin Britten's quintessentially English Aldeburgh on Sunday morning I saw an elderly lady poring over a map of Egypt.

A couple of hours later Mike Westbrook was up on the stage of Snape Maltings, telling us that his new Young Persons Guide to the Year Orchestra, the first jazz work commissioned by the Aldeburgh Festival Foundation, had been inspired by a string of similar misplaced events.

From the way he linked a map of Bulgaria found in a Glasgow street with the Cern Abbas Giant and a series of chance events on tour in the UK, France and New York, Westbrook's two 15-minute introductions to each half of the "Guide" were a masterpiece of mystery and showmanship, carefully pitched to involve even the most dull audience and to heighten one's senses to razor-sharp.

In musical terms, the mystery at the centre of the work is that of Europe's most brilliant and versatile jazz composers is a haunting, rippling chord in which an A flat sequence is overlaid across an F minor chord.

To Westbrook, this is the "Smiths Hotel Chord," covered last winter on the Glasgow hotel at which his group was staying (and outside which the Bulgarian map was found). It gives the "Guide" its main name, after the "Smiths Hotel," and its sense of the unknown. (Over the next

few months, as he toured across the UK, France and the U.S., it followed him, popping up mysteriously between all the other jazz styles he heard or played, from Duke Ellington to free-ranging modern improvisation.)

Using 17 players and over 20 instruments, the "Guide" swings (in every sense) between straightforward presentations of each instrument, solo or in pairs, to complicated sections in unison. Familiar shapes, styles, moods and rhythmsebb and flow into a constantly shifting tapestry of original sound.

In this sense Westbrook succeeds just as well as did Britten almost 40 years ago with his classical (and classic) "Young Persons Guide to the Orchestra." But in other ways his jazz guide is a disappointment. Not only is it too long for any but the most adult child (two hours including the two quarter-hours of indispensable verbal introduction), but it is over-complicated (even this overgrown child lost his way in the second half).

The final disappointment is that the guide itself, unlike his introductions showed little of Westbrook's usual humour (musical and visual). The two young children I took to Sunday's premiere didn't think it was a patch on the riotous evening that performance of some older Westbrook pieces gave them at the Hammersmith Lyric last Christmas. As Britten knew, humour is a vital weapon in the educational process, especially when the subject is as complicated as jazz.

What the Butler Saw/Bristol

B. A. Young

"You must get a director who, while making it funny, brings out the sub-text," Kenneth Halliwell told Joe Orton, when he read the script of *What the Butler Saw*. Philip Grou, at the Theatre Royal, has been as busy as a beaver in making it funny, but he hasn't made the sub-text clearer than any previous director I know of. Orton maintained that there were classical references in the play—to *The Golden Bough* (represented by a fragment from a statue of Churchill blown up by a lady bomber) and to the Greek tradition of the *deus ex machina* (represented by a policeman entering a sealed-off room down a ladder through the skylight).

If there is a true sub-text to this farcical evening, devoted to voluntary or involuntary transvestitism, it is the satirical reference to the psychiatricists' belief that simple things are all the consequences of serious, probably sexual, stimuli. By setting the play in a madhouse, described as such in the dialogue, though called a private clinic in the stage directions, Orton has endless opportunities to make fun of psychiatricists. His dialogue has a likable way of using cliché phrases in outlandish circumstances. "I've just certified you as insane." "What right had you to take such high-handed action?" It keeps the proceedings comic when the story runs not out of action but out of invention. When we have got used to seeing the characters dressed up, or more probably undressed.

Kate Lock as Geraldine, the frustrated secretary, and Timothy Roland as Nick, the lecherous playboy, act as prettily as they strip. For those who want far-out tactics, Michael Simpkins as a police sergeant strips, too. Mainly the action is an intellectual duel between Dr Prentice (Ian Lindsay) and Dr Rance (Michael Burrell), with the youngsters as their chessmen and Dr Prentice's wife, a lesbian witch, available to add complexity to a complex situation.

They tear off the dialogue briskly enough as they chase one another about the many-doored consulting room of John McMurray's set but if any of them has a clearer idea of the sub-text than I have I should be surprised.

Young Writers Festival sponsored

The Young Writers Festival at the Royal Court is to be sponsored by Rank Xerox. The company is contributing £12,500 a year for the next three years. The festival takes the form of a season of professionally produced plays selected from a large number of scripts sent to the Royal Court. Last year nearly 500 were submitted by young people.

This year scripts should arrive at the Royal Court by November 15. The winning plays will be produced at the Theatre Upstairs next March.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Sept 30-Oct 6

Opera and Ballet

WEST GERMANY

Berlin Deutsche Oper: Premiering this week is Zimmermann's *Die Soldaten*, presented for the first time in Berlin. Produced by Hans Neuenfels it has Catherine Gayer and Rolf Kühn in the main parts. The Marriage of Figaro has Peter Lorenz in the leading role, as well as in Tora. Wolfgang Korngold's rarely played *Die Tote Stadt* brings together Karan Armstrong and James King.

Hamburg Staatsoper: German opera, sung in Italian, has Yoko Watanabe and Juan Lloveras in the main parts. The Magic Flute, an ultra-modern production by Achim Freyer, has fine interpretations by Marti Talavera as Sarastro and Carla Del Re as Queen of the Night. Der Barbier von Sevilla has Ruggiero Raimondi and Lucia Valentini-Terrani in the cast.

Cologne Opera: Archimedes for Elektra, produced by Munich's Opera Director August Everding, who introduced himself to the Cologne audience with this production, was great. It is cast with Gwyneth Jones, John Marshall and Leobold Balow. The Turn of the Screw rounds off the week.

Paris Opéra: Carmen features Gail Gilmore in the title role. Munich Bayerische Staatsoper: This week's highlight is Otello with Julia Varady. Vladimir Atlantov and Piero Cappuccini. Werner Egk's Peer Gynt, produced by Kurt Mascher, has Cheryl Sander excelling in the main part. Giacomo Puccini's two one-act operas *Il Tabarro* and *Gli Uccelli* are well worth a visit with Rosalind Plowright, Astrid Varney and Giorgio Lamberti.

PARIS

Paris Opéra presents Rossini's *Mosses* sung by Samuel Ramey and Shirley Verrett (266 5022).

1st Paris International Dance Festival: Netherlands Dans Theater, artistic director Jiri Kylian, "Curse and Blessing," "Violin Concerto," "Information About Music" or "Symphonies" (261 1863).

Théâtre National de l'Opéra de Paris: "Coppelia" conducted by John Lanchbery, original choreography for the 1st and 2nd act by Arthur Saint-Leon, adaptation and choreography for the 3rd act by Pierre La Cour. Théâtre des Champs Elysées (723 4777).

English National Opera: Coliseum: Monteverdi's *Orfeo*, in the controversial (and to some tastes, ludicrous) production by David Freeman, returns with Laurence Dale, new to the title role. Also in repertoire: the new *Renaud*, with Kenneth Wootton, Felicity Palmer and Kathryn Harries, and *Arlecchino* on Nazim.

PARIS

Sadler's Wells Theatre: Two further performances of *La Clemenza di Tito*, with Stuart Burrows and Doris Solt; final showing of *Les Femmes de Lulu*, with Karen Armstrong.

Royal Opera, Covent Garden: The Royal Ballet opens its season with a performance of Swan Lake.

Dance Umbrella: This festival takes place in many and varied dance spaces over London where modern and post-modern dancers of many and varied persuasions can be seen. Sample with care.



Plácido Domingo as Aeneas at the Metropolitan Opera

Marie and Alfredo Kraus as Tonia; Eugene Kohn conducts La Bohème with Mirella Freni as Mimì, Barbara Daniels as Musetta and Neil Shicoff as Rodolfo, in the second week of the centennial season. Lincoln Center (875 5570).

New York City Opera (New York State Theatre): *Curandero*, Les Femmes de Lulu, with Karen Armstrong, The Merry Widow and *Alcina*. Lincoln Center (875 5570).

Maria Renzi & Dancers (Dance Theater Workshop): Premiere of *What Practice Makes*, set to Beethoven's string quartets and choreographed by Maria Renzi, highlights a three-week season. 18th St & 7th Ave (657 6574).

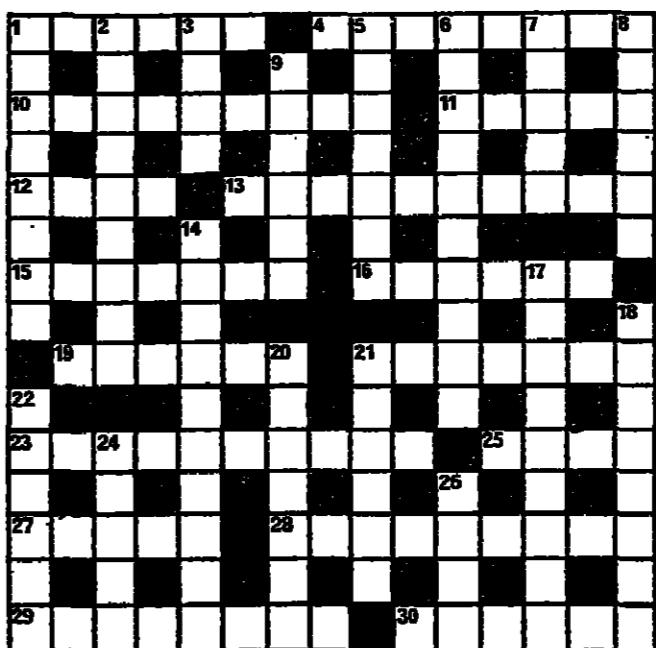
F.T. CROSSWORD PUZZLE No. 5,233

ACROSS

- 1 Tended to make runs against Edgerton owners (6)
- 4 Making the whispering sound of stockings (8)
- 10 Footballers uncomfortable at home? (9)
- 11 Common attempt to make quick revolution (5)
- 12 O, to have no middle, to be neat (4)
- 13 Horoscopes—sort in 8—in 11? (10)
- 15 Part of certain death he has taken over (7)
- 16 Going out for a second book (6)
- 19 Globe Theatre? (6)
- 21 Is it laid down according to Mosaic Law? (7)
- 23 Superior way of bank's position (4, 6)
- 25 Red flower invading your allotment... (4)
- 27 ...madder? It can be a difficulty with one at first (5)
- 28 Jugged bare worse for display in a box (5-4)
- 29 Dismissed a politician for all that gas about the miners (8)
- 30 Remained supported (6)

DOWN

- 1 Fresh pick-up of scientist who's put on pounds (8)
- 2 No first places for these hill-climbers? (7-2)
- 3 Vigil before noon, in uniform (4)
- 5 Rising tide of group-surgeries (7)
- 6 Sort of maiden—O how Lester looks weird in it! (5-5)
- 7 Topping stuff for bad cold symptoms (5)
- 8 Love Elgar variation in



abundance? (6)
9 Muddled, having eaten together (8)
14 Lawn of SW gardener turned over... (10)
17 ...dig extremely lightly? It's not natural! (9)
18 Served, greeting to the married (8)
20 A murder suspect, one hears (3-4)
21 Successors, after a time, get what belongs to them (6)
22 Chief Magistrate in East and law officer, almost, in West (6)
24 He makes a mockery of bridge, perhaps, throwing away diamond initially (5)
26 Strengthened border of German world (4)
Solution to Puzzle No. 5,232
ACROSS
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Tuesday October 4 1983

EEC ties to Third World

NEGOTIATIONS open on Thursday for a successor to the Lome Convention linking the European Community to a group of 63 developing countries in Africa, the Caribbean and the Pacific region. The negotiations are likely to be protracted since many hopes once attached to the "spirit of Lome" have been belied.

Under the present convention the EEC grants preferential access to ACP (African, Caribbean and Pacific) exports without demanding reverse preferences in return. It provides aid through the European Development Fund whose annual disbursements have risen above Ecu 700m (about \$400m). It offers some protection against declining prices for a range of ACP commodities through the Stabex mechanism; and it is committed to buying 1.5m tons of ACP sugar a year.

Each of these elements has given rise to disappointments. Preferential tariffs are to some extent made nugatory by a regime of certificates of origin and safeguard clauses for ACP manufactures. This regime can be seen as a hindrance to industrialisation in the ACP countries.

Almost inevitably the ACPs are dissatisfied with the amount of aid that the EDF offers them, especially at a time when the terms of trade have been turning in favour of the industrial countries. But the ACPs have been complaining about the efficacy of their aid. Few if any of the ACPs have advanced to the verge of industrialisation.

Stabex does not have enough money to meet the demands made on it to compensate for loss of export earnings from raw materials: less than half the claims made can be met. The Europeans feel that Stabex money is not being used to tide over the afflicted industries, but as cash to help over external and budget deficits.

As for the sugar protocol, it does offer the ACP producers a price above the present world price for sugar. But they argue that that world price has been ruined by over production within the EEC.

Almost without exception the ACP countries, and former British or French colonies, see the Lome system as sometimes seen as a perpetuation of the former colonial relationship. Yet the ACP countries have gradually diversified their trade away from Europe and have

edged closer to a more equal partnership.

The real case for persevering is that allowing Lome to lapse would be read throughout Third World countries as a sign that Europe is losing interest in them. That would not serve the interests of the EEC, of the West, or of the industrialised North.

The Europeans are going into the talks with a set of ideas developed by M. Edgar Pisani, EEC Commissioner for co-operation and development, which can form the basis for improvements to the Lome system. One proposal which should prove relatively uncontroversial is for priority to be given to rural development. Several African states are moving in that direction. The idea has also been written into the Lagos Plan, a manifesto for economic development of the Organisation of African Unity.

Aid conditions

That plan as yet may be no more than a statement of good intentions, but it is worth noting that it does match M. Pisani's wish for more regional co-operation among the ACPs. That is something that only the countries concerned can bring about. Given the smallness of most of their cash economies, functional co-operation should be encouraged wherever a basis exists for it.

The Commission would do well to listen to the ACP complaint against non-tariff barriers. The case for protectionism is especially weak where it is directed against countries as poor as most of the ACPs and against quantities of manufactures as small as those they can provide.

Most controversy will be aroused by the wish of the Europeans to attach more conditions to their aid. The ACPs will argue that channeling Stabex money into the industries producing raw materials is a perpetuation of colonialism. Their sensitivity is understandable. But in view of the unconstructive ways to which aid money has been put, the need for closer control is undeniable.

A convincing case for increasing the volume of aid can be made out only if there is a reasonable certainty that it will be applied to private sector growth. That may be a long way from the euphoria of the "spirit of Lome", but hard-headedness rather than euphoria is needed to deal with the problems of the world's poor.

The urge to privatise

THE CENTRAL dilemma in Mrs Thatcher's economic policy has been clear from the outset: how to reconcile the demand for increased public expenditure and lower taxation with the longstanding commitment to financial discipline. Since the Chancellor's package in July the answer has been equally clear, at least in the eyes of the Treasury. The medium term financial strategy will remain intact only at the cost of fudging the figures through sales of public sector assets.

Cynicism seems likely to increase when news that the privatisation programme is expanding beyond the Tory manifesto proposals is received. The Government finding itself on the spot over cuts in the health service. If the chief means of preserving the medium term financial strategy is to be a much bigger upheaval in the structure of industrial ownership in Britain, the Government will have to pay more attention to the protection of its privatisation policy than hitherto.

Regulators

In our view the introduction of competitive pressure to public sector enterprise is a far greater spur to efficiency than the act of privatisation. That said, there are good arguments on a case by case basis for divestment. The lack of a comparable mechanism to re-evaluation and liquidation in the public sector has tended to undermine financial discipline in the nationalised industries. And the need to present a picture of a modest deficit on accounting procedures and financial reporting.

Arguments about the beneficial effect of removing public sector borrowing constraints on investment and taking Whitehall bureaucracy off management's back are, however, more suspect. There are certainly cases of actual or potential capital starvation in the state-owned sector where having off a profitable subsidiary from a troubled parent may make sense. Jaguar may be a case in point. But in other respects the problem is less one of ownership than of muddled public sector finance and poor departmental monitoring.

It is far from clear, for example, that British Telecom would readier access to risk capital in the private sector

if it was unable to finance its investment programme out of whatever profits the regulators permit it to earn. Nor is the record of private sector managers in monitoring their investments all that impressive.

More concern arises over the implementation of the policy. The rush to host British assets to the Treasury, complete — though not by U.S. standards extensive — regulatory framework is being set up from scratch in some haste. In these circumstances there is a risk that the system will depend to an undesirable extent on the goodwill of the monopoly that is being regulated. It is important, therefore, that the regulatory framework should not have its way in asking to be privatised wholesale, thereby ensuring that an opportunity to break up its monopoly is thrown away.

In other cases there are question marks about the degree of financial risk that falls on the taxpayer. British Airways, widely recognised as a difficult candidate for flotation. Ideological enthusiasm should not be allowed to override the need to protect the taxpayer from excessive costs and risks in that privatisation. Similarly, at British Nuclear Fuels the cost of putting the company into suitable shape for flotation could be enormous. And what of the impact of more extensive privatisation on the equity market?

Mechanism

To be fair to the Treasury, the need to mastermind the queue, great care is being taken to limit the risk both to the taxpayer and the markets. Moreover, the problem of raising the wind can be exaggerated: in a world where exchange controls this criticism betrays a lack of faith in the market mechanism.

But huge portfolio flows cannot be generated without some likelihood, other things being equal, of water effects on interest rates and exchange rates. If, as some brokers fear, the outcome is that the cost of capital to existing private sector companies goes up while profit margins are simultaneously squeezed, the medium term financial strategy can prove a threadbare offering with which to placate the electorate.

PRESIDENT Francois Mitterrand has just given his blessing to the most sweeping reorganisation any European country has undertaken in its electronics industry in recent years. It is, however, not the first nor probably the last in a series of shake-ups. It is designed to rationalise the French electronics industry, creating a solid base for domestic growth and a platform for expansion on world markets.

In his most rhetorical manner, President Mitterrand said last week the latest plan would enable France to make what he termed "the great electronic leap forward." M. Laurent Fabius, the young Industry Minister and a favourite son of the Elysée Palace, claimed it would help transform France into "the third electronic nation in the world" after the U.S. and Japan.

Behind the high sounding words, the latest reorganisation is an exercise in economic survival. Its centrepiece is a major swap of assets between Thomson, the financially troubled state electronics group, and Compagnie des Machines Bull, the other dominant nationalised electronics concern. The swap will merge the French telecommunications industry under one umbrella, held by CGE, while consumer electronics, semi-conductors, components and military electronics will be concentrated at Thomson. Computers and data processing have already been grouped around Compagnie des Machines Bull, the other troubled French nationalised electronics enterprise.

Significant phase

The shake-up marks another significant phase in the evolution of industrial policy since the Socialists came to power in 1981. From an initial policy of heavy intervention and protection, policy during the past six months has assumed an increasingly market and internationalist approach.

The champion of the interventionism was M. Jean Pierre Chevènement, the then Socialist industry minister and leader of the party's far left ideological faction. It was M. Chevènement who launched with great fanfare the Socialists' FFR 140bn (£11.56bn) five-year electronics investment and development programme in the summer of 1982 as the cornerstone of French industrial policy. But he was working in a context of refutation of state-stimulated growth.

The French economy has since stopped growing, the French franc has been put under the Government, engaged in a tight austerity programme, no longer has the funds to finance grand industrial designs.

Since he took over the industry portfolio last spring, M. Fabius has been cautious, pragmatic and low-key, but he has nonetheless made his priorities clear: from now on nationalised industry must be tightly and profitably managed. State bosses have greater freedom than M. Chevènement ever did, but M. Fabius has told them he wants profits by 1985 or they risk being out of a job.

Moreover, M. Fabius has been arguing that France cannot solve its industrial and especially electronics problems on its own. He has been pressing for greater industrial collaboration not only in Europe but with

French electronics industry

The struggle to keep up with the leaders

Paul Betts in Paris reports on the implications of the asset-swap between the Thomson group and CGE

the U.S. and Japan. Last week he suggested, together with other Mitterrand Government officials, that public sector orders might be opened to foreign bidders provided that French companies had equal opportunities.

It was against this background that M. Fabius consented to the negotiations between M. Alain Gomez, the chairman of Thomson, and M. Georges Peberau, the managing director of CGE, that have now led to the spectacular asset swap agreement. He accepted their argument that the deal was necessary for the survival of the country's electronics industry in an increasingly competitive world market.

In any event, urgent action was needed to stop the financial haemorrhage at Thomson, and revitalise and reorganise an industry that has so far produced more disappointments for France than achievements. In the telecommunications sector, state-backed initiatives in tele-matique — including, among other things, an ambitious scheme to provide electronic telephone directories for all phone users — have yet to become commercial success stories.

In computers, IBM is still way out in the lead in the French market, despite 10 years of mergers, demergers and re-mergers to transform Bull into the domestic industry leader. In microelectronics, France has been trailing behind many other European countries. As a result, from a surplus of FFR 2.2bn four years ago, France's electronic trade balance turned in a deficit of FFR 8.2bn last year.

The most significant and controversial aspect of the latest reorganisation is the decision to allow Thomson and CGE to merge their telecommunications assets into a single monopoly under management control of Cit-Alcatel, CGE's

tele-communications subsidiary, despite fierce protests from the PTT, the French posts and telecommunications authority.

M. Fabius went along with M. Gomez and M. Peberau, who both argued, for different reasons, that the French telecommunications industry could only remain competitive through the merger. Telecommunications operations have been losing the Thomson group about FFR 400m a year. "We had to find a partner," M. Gomez says. "We looked outside France but all the deals would have Thomson

The companies said the deal could keep the telecommunications industry competitive

in a dominated position. That was unacceptable." The last remaining alternative was a French partner.

In CGE, M. Gomez found a ready partner. The diversified electronics concern, one of the few profitable French state groups, is trying to transform itself from a rambling conglomerate into a group operating in three or four industrial growth sectors, the two main ones being telecommunications and energy systems. M. Peberau, who launched a major asset redeployment programme this year, says: "You can only be aggressive in a world recession if you operate on a worldwide scale."

With the Thomson merger, M. Peberau will now have a telecommunications group on the world scale he wants. The merger will create a new concern with annual sales of FFR 12bn, employing nearly 40,000 people and ranking among the fifth largest telecom-



Georges Peberau of CGE (top) and Alain Gomez of Thomson: a dramatic assets swap

munications companies in the world.

CGE's Cit-Alcatel telecommunications subsidiary is profitable and its E-10 public digital telephone exchange system has made it the world leader in this field, with more than 11m lines ordered or installed (most of them in France). But the Thomson merger will put it in a stronger position to develop its next generation of public telecommunications systems.

The merger is also aimed at strengthening the French telecommunications industry's hand in export markets. The domestic market, which will continue to account for the lion share of orders, has already paid its peak. Barely 10 years ago France had only 5m telephone lines installed. Today there are more than 21m lines and the target is for 24m lines by 1986. Under these circumstances, M. Peberau wants to see exports currently accounting for about 30 per cent of Cit-Alcatel's annual sales, increase to about 50 per cent of the total.

Although the merger may force the PTT to look outside France for a second supplier to compete with the new domestic telecommunications concern, Thomson and CGE believe they will now be in a stronger position to negotiate collaboration deals with other international telecommunications companies.

The re-structuring will have important implications for the other main sectors of the French electronics industry, in consumer electronics, in export markets. The domestic market, which will continue to account for the lion share of orders, has already paid its peak. Barely 10 years ago France had only 5m telephone lines installed. Today there are more than 21m lines and the target is for 24m lines by 1986. Under these circumstances, M. Peberau wants to see exports currently accounting for about 30 per cent of Cit-Alcatel's annual sales, increase to about 50 per cent of the total.

Thomson will have its dominant position further strengthened by taking over CGE's assets in this field. Thomson, which lost FFR 2.2bn last year, believes it has now reached the critical size needed to compete in the consumer electronics business. It has achieved this largely by foreign acquisitions and alliances. After failing to buy Grundig, Thomson got Telefunken as a consolation prize and subsequently struck a controversial licensing deal with JVC of Japan to make video cassette recorders. The Japanese agreement is another eloquent example of the increasing reliance French industry is having to put on international collaboration in the face of declining domestic investment resources.

As for defence, the re-organisation will reinforce Thomson's role as the domestic leader in a sector which has traditionally been one of the most profitable parts of the French electronics industry. But the military business is not booming as in the past and the Middle East is no longer the booming market that it once was.

Leadership role

In the non-military components business, Thomson is also assuming a leadership role. It will take control of the components business of CGE and become CGE's privileged supplier. The Government has decided in particular to entrust Thomson with the construction of a strong French integrated circuits industry. Although Matra, the state defence and electronics company, manufactures semiconductors in a joint venture with Harris and Intel of the U.S., Thomson's presence in this business has been greatly strengthened by a licensing

accord with Motorola and the recent takeover of Eurotechnique, the semiconductor concern formerly owned by the nationalised Saint-Gobain group and National Semiconductor of the U.S.

In the computer sector, the Government has now abandoned the ambitious idea of a domestic industry producing a complete range of French systems. The computer, information processing and office systems businesses have all been consolidated in the troubled state Bull group, which lost FFR 1,350m last year and is now in a loss of about FFR 650m this year.

Bull, under new management, has now scaled down its ambitions and aims to develop a range of products for potentially attractive gaps in the data processing market. It has absorbed Thomson's SEMS mini-computer subsidiary and CGE's Transpac office systems concern. It wants to develop a bigger presence in the small computer and micro electronics businesses.

But in the absence of adequate state financial support (the Government is scaling down its aid to Bull next year from FFR 1.5bn to FFR 1bn), France's new computer strategy also leans heavily on international collaboration. Bull has renewed and strengthened its industrial ties with Honeywell, the U.S. concern which still holds a minority stake in the CIT-IB subsidiary of the Bull group. It has recently teamed up with ICL and Siemens in a joint research centre in Germany. It has high hopes of its 8 per cent stake in Dr. Giese Andahl's Trilogy Systems, a U.S. start-up company, which aims to develop a new generation of large computers using innovative—and still unproven—chip technology.

Encourage development

The overall plan is designed to give France's state groups the necessary economies of scale to compete internationally, but it again places the whole emphasis on the large nationalised enterprises. M. Fabius, when he became Industry Minister, said he wanted to shift the emphasis increasingly away from the big groups to encourage the development of small and medium-sized companies in France. But the acute financial problems of the big groups—not only in the electronic sector but also in the automobile, steel, engineering industries, among others—have landed on M. Fabius' desk all at once and taken up all his time.

The Government is clearly aware that without a strong web of small and medium-sized entrepreneurs, the French electronics sector will lack that key creative ingredient that is behind the success of Silicon Valley and the U.S. computer industry and is increasingly evident in Britain. Until now, high technology entrepreneurs have been conspicuous by their absence in France.

To try to correct this, M. Fabius announced last week new measures to encourage the development of electronic technologies among small businesses. But the problems of the big nationalised groups have given him little room to manoeuvre and forced him to decide in favour of an even greater concentration of the country's electronics resources in the hands of a few monopolistic state enterprises.

Men & Matters

Safety first

Whatever happened to altruism? Dr John Cullen, head of the Health and Safety Commission, has no illusions about what his job entails: a crucial issue for companies.

"To put it crudely," he says, "money talk." The corporate image suffers from even the slightest suspicion of lack of safety. But being seen to be safe is a public approval—and, of course, customers.

Cullen has plenty of experience with high-risk industries like nuclear energy and chemicals. He kicked off his new job yesterday by opening a mining safety conference in Sheffield.

For the past nine years, the commission has been run by a trades union man, foundry workers' leader Bill Simpson. With Cullen's appointment, the ball passes to management: his last job was deputy chairman of the UK end of U.S. chemicals group Rohm and Haas.

Beer money

Beer is cheaper in Salford—at least it is at the Wallace Tavern. That is the first pub to be leased by SUPER Services, an immediately named private company which has been set up by the students' union of Salford University.

Salford's entrepreneurial students have a policy of lower-priced beer which helps endear them to Salford residents—and may do something to compensate for other student frolics. It appears there are sound heads on young shoulders. Soon two more pubs and at least one supermarket are to follow as part of the union's business empire. It is also running three bars at the university, a travel office, two shops, the sports hall and the sports shop. The company was set up with £5,000 in share capital to propel it into the wide business world.

The union put up £4,000 and £1,000 came from the university's enterprise fund.

Union officers control the company but the board of directors also includes a senior university officer and a retired merchant banker.

A further professional touch to the student company is its partnership with Trust House Forte in campus catering. FUPER Services does not intend to let students loose on its outside business ventures. Professional staff are to be hired.

Becalmed

An Australian who helped sponsor his countrymen's recent yachting triumph in America's Cup is in the doldrums in London only days after the Australia II victory.

John Dougal, aged 39, is sitting behind a desk in his London office—he cannot start work, however, until his work permit comes through. He was appointed general manager of the British subsidiary of Data Generals after running the Australian end of the business.

Dougal thought up the idea of putting his company's technicians and its computers at the disposal of the Australia II team. He installed computers on the support vessel to monitor the performance of the yacht gained from that revolutionary keel.

Salford is in America to witness the Australian team's victory en route to take up his new job in Britain. As he left for London he said: "The prospects of running Data Generals' largest subsidiary is a challenge to which I look forward." He still looks forward—while keeping one eye on his in-tray hoping that his work permit may turn up.

Grow your own

The diamond market could lose some of its lustre if the

scientists have their way. Harwell atomic researchers have found a way of making the desirable gems bigger by the distinctly unromantic method of injecting them with carbon ions.

So far, their success has been limited—to be precise, to a growth rate of a millimetre per hour. Thus, according to British Business, it takes "tens of hours" to add a few thousandths of an inch.

Hardly enough to set a girl's heart racing. But the Harwell scientists say flawed diamonds could be replaced by the new technique which has been tested on polished natural diamonds, known as macles. The carbon ions—atoms with an electron missing—are directed onto the macles' surface and travel so fast, they are buried within the crystal which is heated to 800 degrees centigrade.

SP Minerals is seeing if the process can be commercial. The scientists say there seems no reason why a diamond should not be made to grow indefinitely. How big does a girl's best friend have to be?

Pink and fast

The fast-growing express freight business already has a distinctly Australian tinge in Britain with TNT, claiming to handle more overnight (or "overnite," as they insist on it) freight than any of its competitors.

Now, four Australians have joined forces to form the Independent Express Corporation. From next week, a fleet of hideous shade of pink will be seen on Britain's roads.

The four-strong team, headed by John Konstas, aged 50, "An Australian-born Greek" is starting off modestly. But the potential of the operation is demonstrated by the backing of the international Transport

Development Group which is initially sinking £500,000 into the venture.

The other members of the team are Mick Egan, 44, who was general manager of IPEC Europe; Bob Wales, 48, who resigned from IPEC in May, and Jim Wares, 34, who left IPEC in June.

Konstas readily admits that the basis of express freight, whereby the company guarantees to deliver by noon on the day following collection, is simplicity itself.

"The hard part is the follow-on," he says—demonstrating to the customer that they can offer reliability and speed at a reasonable price. It will be just a little below what arch rival TNT is charging. Express freight comprises a small but growing part of the distribution business. Konstas estimates it to be worth about £200m annually, and that it will double within five years. One major reason for the growth is the tendency of manufacturers and retailers to hold down their stocks—quick deliveries of fashion items, computer software, motor parts, etc are one way of achieving this.

Another growth factor is the tendency of large companies to contract out part of their distribution that they previously handled themselves.

Going down

Trying to explain the problems facing the accountancy profession Eddie Ray, president of the Institute of Chartered Accountants in England and Wales, called animation to his aid in an after-dinner speech: "If we don't grasp the nettle of computers and information technology we shall be like birds on the back of a hippopotamus which is sinking in the mud..."

Observer

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Extel

Letters to the Editor

Selling-off British Telecom

From Dr A. Berry

Sir—The privatisation of British Telecom is proposed by the Government on the argument that private sector management would bring a mixture of competition, efficiency and profitability.

As your feature writers (September 27) show, it is difficult to see how the change in ownership would change the essential nature of the technical network which lies at the operating heart of the telephone system. Further, it is hard to see how the change in ownership would change the technical efficiency of this system and unless prices are raised it is even more difficult to see how the economic efficiency could be changed. As it is, BT is producing approximately £1bn of cash flow and has been prevented by the Government from having access to further investment. Thus even in the private sector BT would be even more cash hungry.

Given that UK domestic private sector companies are consistently poor performers as compared to multinationals, it would, if economic efficiency gains were the point of privatisation, be essential to sell BT only to such multinationals, thus ceasing domestic control.

The process of privatisation rather gives the political game away. At the risk of stating the obvious, BT as a nationalised industry is actually owned by all of us. For the Government to "sell" all or part of BT is to transfer our collective good to the rich, whether individuals or pension funds or to companies like GEC which happen to have some spare cash. The process of selling is actually a tax levied on real and available investment funds in the private sector. If the Government wishes to stimulate real productive investment it must then make the proceeds immediately available for in-

vestment or it must think of ways of investing itself. Unfortunately the Government seems unlikely to do any such thing. It is also quite probable that the suppliers of BT would attempt to buy a substantial holding in BT, a holding which would be an effective vertical integration, in order to stifle competition. It would be sad to witness a further concentration in the UK economy.

If, however, the process of privatisation is a deliberate attempt to get individual citizens involved in the success of BT, the Government might simply issue a proportion of the shares to all citizens, thus ceasing control directly and without any need to worry about the cash problems. The citizens (say, 50m of us) would get about 2000 each. Of course, the first AGM might be a bit difficult to manage but presumably the individual citizens could make a market and some would take the cash. The individual who "takes the cash" would be exercising directly the choice of what to do with his share, rather than having the Government not only make his/her decision but also run off with his/her money.

One rather negative consequence of such a widely distributed ownership might produce the kind of self-replicating oligarchies which seem to manage the building societies but it is difficult to argue that the Government's choice of representatives of insurance companies, pension funds and the like would actually improve the management of BT.

It seems, therefore, that on the grounds of real benefit to the whole economy and real private citizen involvement the like would actually improve the management of BT.

(Dr) Anthony J. Berry,
Manchester Business School,
Booth Street West,
Manchester.

The White Paper on roads

From the Leader

South Yorkshire County Council

Sir—In your edition of September 28 you quote the new roads White Paper as saying that the abolition of the metropolitan county councils will give new opportunities for tackling the problems of urban transport.

What an extraordinary use of words by the Government. If the metropolitan county councils are abolished the functions of public transport (bus and rail), traffic, highways, overall land use planning and the police as enforcement agency would be splintered into probably four different agencies. With different areas and objectives, these agencies will find it impossible to develop between them any effective co-ordinated strategy. The effect on transport in our major cities will be disastrous.

The other immediate consequences of the abolition of the metropolitan county councils will be the massive disruption in the two or three years surrounding 1986. Half the country's transportation capital investment is handled by the Greater London Council and the metropolitan county councils. The scattering of staff and the

re-assessment of programmes by successor authorities will without doubt mean a massive loss of achievement in the road capital programme. Hardly a good start to a new era of solving the conurbations' problems.

Moreover the Government has suggested that 9,000 jobs would be saved by abolition of the counties. Since 96 per cent of our staff are operational, such savings could only come by massive cuts in services. As these are unlikely to be in the areas of police and fire, one can only assume that the Government plans cuts in transport service levels of major dimensions.

May the electorate acquire, too, the Government's plans for environmentally damaging road schemes in our cities? At the moment the electors, through their councillors, through schemes as the South Circular road improvement being forced through in the teeth of proper and justified opposition from those who wish to safeguard the urban environment. When the counties disappear, will the Government not ride roughshod over the defenceless opposition?

Roy Thwaites,
City Hall,
Barnsley, S. Yorks.

A disorientated flock

From Mr N. Button

Sir—City ornithologists are familiar at this time of the year with the sight of large flocks of starlings congregating in Finsbury Circus, before their southern flight to warmer climes.

Imagine our delight and

much in evidence. Of greater ornithological interest were several species of parrot, their crests and plumage splendidly iridescent.

From their behaviour, however, it appeared they were confused and disorientated, to the extent they seemed worried



Roger Taylor

amusement on Thursday September 29 to find the Square Mile populated by several exotic species more usually found round Greenham Common and Aldermaston. The Greater Spotted Owl and the Flat Footed Doxy Bird were

about their very survival. Perhaps they should follow the example of the starling and migrate to warmer climes—the Sahara Desert?

N. C. J. Button,
17 Tokenhouse Yard, EC2.

Unitary taxation for the multinationals

From Mr H. Roe

Sir—I note that Frances Stewart writes (September 22) from the Institute of Commonwealth Studies, Oxford University. Her letter reveals the understanding of the world in which multinational companies have to operate. Her suggestion that "a consistent system for unitary taxation would improve the climate in which multinational investment takes place" is analogous to a plea for government of the world by the United Nations on the grounds that this would reduce the chances of war.

While the climate was improving "in the long term" the multinationals would be bled to death.

Whatever the ideal might be the fact is that the taxation rules which virtually all countries have imposed domestically and which they have negotiated in Double Taxation Agreements with one another for at least the past 50 years have been based on the principle of separate accounting and the application of the arms length principle in pricing between controlled companies.

This system is approved both by the Organisation for Economic Co-operation and Development and the United Nations—if the former represents the developed nations the latter certainly does not. Having spent 50 years developing and applying this principle it is expecting too much for nations to abandon it for an unrealistic ideal.

The leading protagonists in the movement for unitary tax on a worldwide reporting basis are among the richest countries or political subdivisions in the world (the reference by Mr Stewart to "weak administrations in poor countries" is hardly in point).

Unitary taxation is exploited by these states in an attempt to grab the maximum amount of revenue. It is not a question of resource allocation—merely greed. If separate accounting provides a "better" ie, more profitable result for the State it is promptly substituted as the basis for taxation. Fine words can justify almost anything.

The way in which the worldwide reporting basis of unitary taxation is applied in California and other states in the U.S. pays little attention to the facts. All companies under common control are treated as unitary regardless of the nature of the businesses in the various parts of the world. The recent Container Corporation decision

provides little hope for believing this approach will be changed in the U.S. While it may be true that some multinational groups basically have a single product, eg, motors or computers (though personally I believe that to be far too simplistic) what is certain is that the unitary basis is applied to groups with a wide range of interests and businesses, some of which are not even carried on in the states using this basis of assessment.

The interests of minority shareholders in different companies in a multinational group are ignored completely. Thus a minority shareholder in California could suffer additional tax as a result of quite different activities in places such as India or Australia. Quite apart from the risk of a minority shareholder suit against the majority under the protective rules in the U.S. the fact is that no multinational group can simply ignore the minority shareholders and directors of subsidiaries which have minorities are legally obliged to operate with their interests in mind.

There is a good deal of rubbish talked about the desire of multinationals to use source sales from tax havens. Taxation is a cost and it is taken into account in determining where investment should be made and may subsequently be a factor in determining a source of supply but it will never be the only factor and only rarely will it be a dominating one. Cheap labour, power, raw materials, supplies, etc., will all be equally important. Many developing countries are prepared to persuade multinationals (and domestic companies) to invest locally by way of grants, special prices for services/energy, etc., tax exemptions or export incentives. It would seem perverse to permit profits exempted from tax in the country in which the investment is made to be taxed in some other country in which no sales of the relevant or a related product may even be made.

Pilloried as they are, multinationals have provided and still do provide a tremendous amount of investment and know-how and thus employment in both developed and developing countries. One must question whether it is sensible to burden them with additional taxes based on "factors" determined by individual states to suit their particular interests.

Hugh Roe,
Ridgall House, Begbroke Road,
Sittingbourne, Kent.

Industry and Electoral Reform

Hedging bets for the future

By Peter Riddell, Political Editor



Leading members of the industrial committee for electoral reform: Sir Graham Wilkins (left) and Sir Adrian Cadbury

viewed as backing it both ways. Yet he sees valid business reasons for this attitude. A board may feel that sharp swings of policy are not in the company's interests so support for a balanced electoral system is an insurance against the clock being put back.

This view can be regarded as either sensible business caution or, by Thatcherite zealots, as a typically tepid relic of past attitudes. The members of the industrial committee are almost all associated with the Confederation of British Industry and its approach of avoiding confrontation rather than with the more ideological and free enterprise style of the Institute of Directors.

The two bodies have different roles — the CBI on behalf of industry (especially manufacturing) as a whole and the Institute on behalf of individual directors and owners of companies. But varying attitudes to electoral reform reflect broader differences among industrialists between the traditional consensus and the current conviction styles of politics.

Sir Adrian warns against talking of an overall business view for what tends to reflect the feelings of particular individuals. In some of the members of the industrial committee the drive seems to have come from the personal convictions of the chairman.

Sir Adrian Cadbury admits that this dual support can be

appears to be regarded in part in some companies as a respectable long-term hedge against Conservative defeat, but few public groups have been prepared publicly to contribute to the SDP or the Liberals. Alliance business support has come either from the entrepreneurial heads of small or medium-sized groups like Mr Anthony Jacobs of the British School of Motoring (for the Liberals) and Mr Parry Mitchell of United Leasing (for the SDP) or from wealthy individual shareholders like Mr David Sainsbury (for the SDP).

Even where the head of a company is an open supporter of the SDP — as in the case of Mr John Harvey-Jones, the chairman of ICI — the board may hold back. There was a debate within ICI about whether to support electoral reform but the company decided not to take sides.

In general, industrialists' support for electoral reform is pragmatic rather than idealistic. There are few arguments in Britain's boardrooms about the merits of the single transferable vote versus the list system of representation. Sir Adrian, who admits that he is not hooked on a particular system, wants to achieve modest changes—such as, for example, a move towards the French system of double round elections (not in itself proportional), in which those at the

bottom of the poll are eliminated after the first ballot.

Paradoxically, this pragmatism may not have helped the campaign since the June 9 general election, despite the large disparity between the share of the vote cast and the distribution of Parliamentary seats. Sir Graham concedes that "if anything industrial support has declined since the election."

Mr Roger Gibbs of Gerrard and National admits that he does not feel as strongly about electoral reform as he did four years ago. The dominance of Mrs Thatcher has made it seem rather pointless to him at present, though he still believes it is a good principle.

Infuriatingly for the Alliance, the very success of Liberal and SDP candidates in splitting the opposition vote on June 9 has prevented the feared polarisation. A counter-balance may have been created without a change in the electoral system.

The commitment of business supporters will be tested in the New Year when the National Committee for Electoral Reform launches an appeal to raise at least £100,000, roughly half as much as the Conservative Party and is needed, according to Mr Richard Holme, the committee's director, to turn what had been an elitist petition into a popular campaign. There are already 350 constituency organisers, predominantly, but not exclusively, Alliance supporters. Mr Holme claims the open backing of 50 Tory MPs, plus 25 supporters (including Mr James Prior and Mr Peter Walker in the Cabinet). At present, there are only a handful of Labour and union supporters, so the public involvement of Mr Gavin Laird of the AUEW is particularly welcome.

Nevertheless, no one expects the campaign to have any immediate effect. Sir Graham believes that all that industry can do is to help on "a modest basis" to get the debate into the open. Similarly, Sir Adrian talks of a gradual programme to build up concern about the need for change. But as the debate on proportional representation at next week's Conservative Party conference is likely to show, there will be no response as long as there is a majority Thatcher Government.

Analysis of the industrial scene

From Mr R. Crum

Sir—Samuel Brittan's article (September 26) on "How to pick good losers" ends with a call for analysis of the industrial scene, but in a specific context. Why not generalise the call?

I've always found it very odd that for the last thirty years the UK has been faced with recurring crises as a result of industrial problems but there has been no attempt to set up an economic research institute whose raison d'être was the continual investigation of and commentary on UK industrial performance. At one time one could equate the National Institute with the Treasury, the Centre for Environmental Studies with the DOE, the Health Economics Research Institute at York with the DHSS, and other institutes and bodies with the Department of Trade or Department of Employment. But there has never been any outside critical body that parallels the Department of Industry and the omission is striking.

One could argue that the subject is too vast, academics wouldn't do it and are biased, all the material is already here but it's scattered around, what

about Neddy and the CBI? etc. All these points may be true. I still think, however, that a critical journal, published from outside the system, containing continuing series on the output, employment, productivity, comparative trade performance, strike records, patents etc of individual industries, with commentary, and with a steady flow of reports in such areas as international comparisons of competitiveness, R & D and patents, trade patterns, use of specialist workers etc, would have been beneficial over the last thirty years. At worst it would have made politicians, industrialists and trade unionists steadily aware of the industrial problems, at best it might have served to give additional notice of problems looming up.

In general we are badly governed and this is partly the result of our lack of outside policy analysis. (Of the arguments for a "British Brookings"). Specifically omitting the outside analysis of industry is perhaps just one example of this, but it would appear to be a highly important mission.

R. E. Crum,
89 Holt Road, Norwich.

The law of one price

From Mr A. Mitchell, MP

Sir—The interests which finance the "Trade Policy Research Centre" must be delighted with Mr Wolf's rejoinder (September 20) to my letter refuting the monetarist "law of one price." Yet if the half-truths and misconceptions in his letter are characteristic I will be delighted to debate the issue with him in my constituency, where people recognise cod-wallop and see the effect of prolonged overvaluation on fishing and other local industries.

The specious doctrine asserts that a country's price level is pegged to the world price level and must move in line with it. Exchange rate changes cannot, therefore, affect real phenomena such as the trade balance or the terms of trade.

That Mr Wolf should defend this doctrine by referring to international trade in motor-cars only shows that he is living in Thatcherland. The fact is that the law leaves a whole series of domestic and currency factors out of account and ignores such factors as market manipulation and economies of scale. It is systematically violated by empirical data. On IMF figures internal prices in Japan rose 9.16 times faster than export prices between 1953 and 1980. In Germany the increase was 44 per cent, and in the UK and the U.S. it was, respectively, 11 per cent and minus 14 per cent. The monetarist refurbishment of what was once known as the purchasing-power-parity theory must therefore be cois-wallop.

Of course, devaluation reduces the relative cost of labour, but this is not a reduction in real wages. The devaluations of 1931 (25 per cent), 1949 (30 per cent) and 1967 (14 per cent) did not reduce real wages, even in conditions of unemployment. There is a lot of continuous causation based in this case on importation and exportation growth. Indeed three factors and the

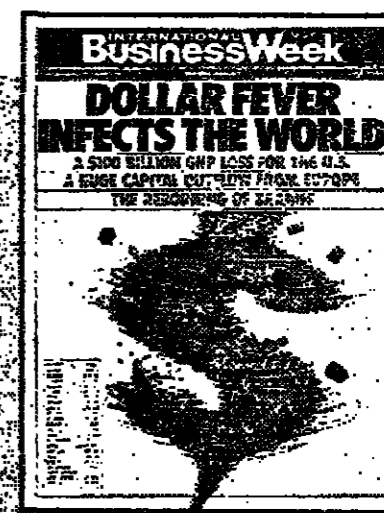
economies of scale they lead to have made continuous causation the basic explanation for the virtuous cycle which has made the exporting industries of Japan and West Germany so strong allowing those countries to hold down prices in their internationally traded goods but not in their domestic sectors.

The converse of the proposition is that exchange appreciation increases the relative cost of labour. The increase in sterling since March is more than three times the Government's norm for pay increases. How then can propagandists of the Right blame organised labour for industry's difficulties? More cod-wallop.

To Mr Carr (September 21) I would say that what matters is trading profits and not the mixture of rates and tax allowances. Industry has been twice cursed by the ratchet of tight money, high interest rates and high exchange rate; the leaders of the CBI should tell the country that if they had the real interests of British industry at heart instead of those of finance and distribution which are so strong in their councils. Indeed they should have advised the electorate in June to vote for Peter Shore's programme. The record shows that industry has always done better under Labour than under the Tories, and it will do better still with cheap money and a competitive pound. Getting Britain back to work must be good for employment as well as employees.

The classic answer to Thatcherism is to be found in the letter which Ricardo wrote to Malthus in 1820, that "if we sell our goods at a high money price and buy foreign goods at a low money price... it may well be doubtful whether this advantage will not be purchased at many times its value, for to obtain it we must be content with a diminished production of home commodities, with a high price of labour and a low rate of profit." This ga change...
Austin Mitchell,
House of Commons, SW1

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Poulenc 'unlikely to improve in results'

By David Marsh in Paris
RHONE-POULENC, France's nationalised chemicals group, expects no significant improvement in its results for the second half of 1983, which continue to be weighed down by losses in synthetic textiles and difficulties with its Brazilian operations.

The company, which made net losses of FFr 79m (\$9.88m) in the first half after a deficit of FFr 844m in 1982, was, however, performing satisfactorily in its main-line chemicals - agro-products and health - where it had "nothing to be ashamed about," M Loik le Floch-Priest, chairman, said yesterday.

He was speaking at a press meeting called to give details of a recent series of joint-venture agreements concluded in Japan, where Rhone-Poulenc has one of the strongest presences of any French industrial group.

Rhone-Poulenc now has collaboration agreements with Japanese companies covering five key market sectors: agro-chemicals, pharmaceuticals, films, silicones and polyamide resins. The Japanese companies involved are Showa Denko, Chugai, Toyoko, Dai Nippon Ink and Mitsui Petrochemicals.

The agreement with Mitsui, covering specialised polyamide resins for use in the electrical industry and precision engineering sectors, was concluded by M le Floch during a visit to Japan in August.

He emphasised that Japan - the world's second largest chemical market - was an "essential" area for Rhone-Poulenc to attack. One of the group's main failings up to now has been its inability to gain footholds on important markets abroad, principally in the U.S. and West Germany.

In addition to its joint ventures - which are nearly all 50-50 operations with Japanese companies - Rhone-Poulenc's own subsidiary in Japan has turnover of about FFr 600m a year, making it one of the biggest French subsidiaries there, along with those of Pechiney and L'Air Liquide.

Gordon Cramb in New York examines the rash of offers for a West Coast steel concern
Kaiser's hidden assets tempt suitors

MR J. A. FRATES, of Tulsa, Oklahoma, whose second try at a leveraged buy-out proposal for Kaiser Steel won board approval last Friday, is the latest in a line of investors who have emerged in the last few years to bid for the large but ailing west coast U.S. steel concern.

The revised offer involves the half-dozen member group led by Mr Frates in no significant cash outlay. Instead, they have secured a \$100m five-year term loan from Citibank of New York, while the remainder of the \$303m or more needed to buy out Kaiser's existing shareholders will come in the form of a preferred stock issue.

The 1,257m shareholders will receive \$22 per share in cash with the redemption value of one share each in two new series of Kaiser preferred, bringing the total to \$50.

This eclipses a previously agreed bid from another investors' group headed by Mr Irwin Jacobs, the Minnesota entrepreneur, which was valued at some \$370m. The first Frates approach had matched this, but Kaiser at that stage chose not to exercise the escape clause which would have allowed it to break off with Mr Jacobs.

This time, though, Kaiser has pledged to shun any further suitors until a shareholders' meeting in November.

This would block any overtures from a further group led by Mr Ivan Boesky of New York, who is known usually as a speculator in takeover candidates but may have had further-reaching designs on Kaiser.

Last week his group lifted its stake to some 7.6 per cent.

The Jacobs holding was last put at around 18.3 per cent, while the Frates team until now has held none at all. In submitting the revised offer, however, it said it would buy 250,000 shares in the market "to demonstrate its commitment."

Mr Frates runs a Tulsa-based private investment management group, Frates Enterprises, which is not involved in the Kaiser proposal.

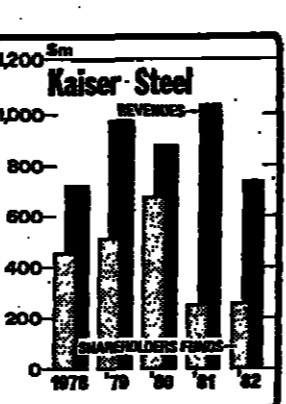
The separate Frates group, which has been eyeing Kaiser for more than a year, also includes Mr Howard Samuels, a former U.S. Under-Secretary for Commerce, who has been drafted in as managerial adviser.

The procession of bidders has been almost as numerous as Kaiser's boardroom changes as the company's metamorphosis from a family-run enterprise look it through a series of wrangles.

Since 1980 this has seen Mr Edgar Kaiser, grandson of the founder - first threaten to liquidate the company, then step down as chairman, go on to rally dissident shareholders, and later act as consultant to the company's employees in their abortive moves

to take the loss-making main steel mill off the company's hands.

Talks on finding a workers' buy-out were said at one stage to have involved the British Steel Corporation (BSC), although this was denied from London.



At stake for the Kaiser suitors is the company's sizeable hoard of assets, any of which are regarded by outsiders as inadequately reflected on the balance sheet.

These include some 900m tonnes of high-grade coal in Utah and New Mexico, recoverable at 2.5m tonnes a year, which serve to put Kaiser's recent operating losses on steel some way in the shade.

The bidders and the company have all taken the view that Kaiser can no longer hope to make steel profitably, and the rundown of the Fontana works in California must soon be completed. But both Mr Frates and Mr Jacobs have insisted that they intend to keep other areas of its business as a going concern rather than engage merely in asset amputation.

In addition to coal, a fabricated steel products division supplies the growing offshore oil exploration industry on the Pacific Seaboard as well as making components for defence and aerospace projects, including the U.S. space shuttle.

A peculiarity of the Kaiser board's preliminary accord with Mr Frates, meanwhile, is that stockholders will receive a lower cash element than under his group's original proposal, which would have provided \$27.50 in cash against the current plan for \$22. Mr Jacobs had

come forward with a cash component of only \$19.50.

The sticking point for the steel group on the first Frates bid, however, appeared mainly to be time, along with uncertainty that his team would be able to raise the loan. Mr Stephen Girard, who rose through the ranks to become Kaiser chairman in 1981, said the proposal would take "several weeks longer" to conclude.

Clock-watching of this order often suggests a looming liquidity squeeze in some form. But the Kaiser balance sheet - for all its modest understatement of assets - presents substantially more solid an outlook than the profit and loss account, and only \$20m of long-term debt payments fall due this year.

First-half net losses reported last month reached \$17.8m against year earlier earnings restated at \$15.8m. Tax credits from a rundown of inventories assisted the 1982 figures.

But just as the balance sheet obscures buried treasures, so it makes only hazy allowance for twin bequests of the Kaiser family era in the form of generous pension and medical benefits for employees, which are seen as being funded in no structured way.

Mr Elliot Schneider, of Gruntal and Co, a small but long-established Wall Street broking firm, has been monitoring Kaiser for 16 years. He

points out that these liabilities have, in fact, been put to the test by the large-scale redundancies of the last few years as Fontana heads for an inventory exhaustion only a month or so away. Payments have not shown up as enough of a drain to rob the company of all allure, he maintains.

More of an issue, he says, is the lack of use made of what cash Kaiser has. Dividends on the common shares were suspended in 1978 and have not seen the light of day since then. The creation of stock options has since been serving merely to sap the shares' value, while Kaiser's directors have never taken any significant stake in the business themselves.

Kaiser is saying nothing in response ahead of a resolution of the company's ownership. The outlook remains filled with former suitors, asset salesmen and speculators - a list which includes Mr Ivan Boesky and Mr Stanley Hiller of New York, and Mr Paul Kalmanovitz of California, as well as Mr Jacobs, while the company's Employees' Stock Ownership Plan (ESOP) also still keeps an eye on developments.

The days of the Hiller offers, which in February last year reached \$55.25 a share, seem long gone.

Although he said profits for the year were certain to be ahead, Professor Sammet declined to forecast their size or the extent of a "possible dividend increase."

He estimated, however, that group worldwide sales revenue would rise this year by 4.5 per cent to about DM 36.5bn and parent company revenue would increase by about 3 per cent to DM 12.75bn.

Hoechst's sizeable profits recovery in the first half came from only a modest increase in sales revenue. Group sales worldwide rose 1.2 per cent to DM 18.4bn, while parent company sales edged up 0.4 per cent to DM 6.4bn.

Hoechst - along with the other big chemical companies, BASF and Bayer - suffered a dismal setback last year. All three companies cut their dividend, in Hoechst's case from DM 7 to DM 5.50 per DM 50 share.

However, the West German chemical industry has bounced back strongly this year, with a revival in demand for many basic products.

Professor Sammet said that man-made fibres and plastics were among product areas where sales were performing relatively well, although prices were below those of a year ago.

Electrolux to sell U.S. subsidiary

By Our Nordic Correspondent
ELECTROLUX, the Swedish household appliance group, is pulling out of air conditioning equipment manufacturing in the U.S. It is selling one of its U.S. subsidiaries, Emerson Quiet Kool, to an investment group, Alro Corporation, for around SKr 400m (\$51.2m).

The company, based in Woodbridge, New Jersey, has an annual turnover of some SKr 500m, but Electrolux has been dissatisfied with its profitability for sometime.

Electrolux has already disposed of several other subsidiaries this year as part of a corporate restructuring

Volvo steps in at STC with SKr 400m rescue

By KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM
VOLVO, SWEDEN's largest industrial corporation, has been forced to step in and rescue the financially troubled STC Scandinavian Trading Company, one of the world's largest independent oil-trading companies, with the injection of SKr 400m (\$51.2m) in new equity and subordinated loans.

STC, owned 55 per cent by Volvo, is continuing to run up heavy losses both in oil trading and in oil and gas exploration and production in the U.S.

The company announced last night that it had been forced to turn to Volvo, its majority shareholder, for assistance in order to ensure its continuing credit-worthiness. It is expected to run up an accumulated loss for the year of SKr 375m to SKr 475m. Last year it made an operating loss of SKr 15m on a turnover of SKr 33.5m.

Volvo has clearly lost patience with the STC management, which has been surrounded by scandals for much of the year, and both Mr Anders Wall, chairman, and Mr Tedde Jeansson, managing director, are giving up their posts.

Earlier this year STC came within a hair's breadth of being dismissed from the Stockholm Stock Exchange, when it became clear that it had failed to report serious losses from its oil trading operations when it was floated on the Swedish stock market in February.

In place of suspension STC was fined SKr 550,000 by the stock exchange authorities.

STC said yesterday Mr Anders Wall was giving up his post in response to Volvo's increased financial commitment to the company. He is to be replaced by Mr Ulf Lidén, executive vice-president of Volvo.

Mr Wall, the controversial Swedish financier, who also stepped down as chairman of Volvo earlier this year, will remain on the STC board.

Mr Pehr Gyllenhammar, chairman and chief executive of Volvo, is leaving the STC board following Volvo's heavy injection of capital in order to have a more independent voice to better represent Volvo shareholders' interests.

The continuing financial conditions surrounding STC is a great embarrassment for Mr Gyllenhammar and the Volvo board.

It said then that it considered STC's losses to be "non-recurring in nature" and that STC was "a very sound and well-organised company."

Mr Tedde Jeansson is now to resign as managing director but will remain on the STC board.

The new capital from Volvo is coming in the form of a temporary increase in STC's equity by SKr 200m from the current level of SKr 279m in the form of an issue of preference shares. In addition Volvo is providing a SKr 200m subordinated loan at 12 per cent interest, which STC is supposed to pay back through the sale of assets by the end of 1983.

As part of a far-reaching restructuring STC is seeking to sell its troubled Scandill subsidiary in the U.S., which is involved in oil and gas exploration and production. The financial subsidiary, STC Finans, could be disposed of and STC is to concentrate in the future chiefly on trading and commercial transactions.

Bombardier in venture talks with Alco

By Robert Gibbons in Montreal
BOMBARDIER, the Montreal-based transport equipment group, is having preliminary talks with Alco Power Inc, a U.S. subsidiary of the General Electric Company of Britain (GEC), with a view to forming a joint venture out of their depressed diesel-engine businesses.

Alco was acquired by GEC in 1977 from White Motor.

Bombardier acquired its rail and diesel division as part of MLW Industries in 1970. MLW was, and Bombardier remains, a licensee of Alco in manufacturing medium-speed diesels, mainly for locomotives.

Alco and Bombardier have both suffered from a slump in diesel sales in the past year or so. Alco has cut capacity and imposed some short-time working. Bombardier's Montreal plant has been closed for the past 3 1/2 months.

Bombardier said the two companies were complementary in both products and markets. Alco is strong in the U.S. and Latin America; Bombardier in other Third World markets.

Bombardier claims to have developed an improved version of Alco rail diesels in the past five years, with a better power-to-weight ratio and using electronic systems.

The talks concern the "economic and legal feasibility" of merging the two rail diesel operations. A Canadian corporation would be formed in which each party would hold shares in proportion to the value of the assets contributed, and have the right to raise its interest to a maximum of 50 per cent by contributing cash.

Bombardier's rail and diesel products division had sales of \$138m in 1982. It is expected to show a loss this year. GEC does not publish Alco's results separately.

Heineken plans joint venture

By Our Financial Staff
HEINEKEN, the Dutch brewer, is planning to set up a joint holding company with Brasseries et Glacières Internationales (BGI), of France to manage both companies' French activities. A draft plan has been submitted for French Ministry approval, but Heineken said yesterday that division of the new joint company's shares has not yet been decided.

The companies will jointly spend an unspecified amount on modernisation of BGI's seven and Heineken's two breweries in France. Their combined share of the French market currently stands at 25 per cent. Heineken sells 1.7m hectolitres of beer a year and BGI 4.5m.

BGI's operating companies - Pellet and Union Brasseries - together with Heineken France will continue as independent companies.

Italcementi plans issues for major capital boost

By JAMES BUXTON IN ROME
ITALCEMENTI, the cement producer owned by the Italian financier Sig Carlo Pesenti, is to treble its capital by means of scrip and rights issues. They are designed to bring some income to Italmobiliare, the financially troubled parent company of Italcementi, without its needing to put up funds itself.

Italcementi's capital will rise in two tranches from 140bn (\$25.1m), where it has remained since 1973, to 420bn. The first tranche worth 140bn will consist of the issue of free shares to existing shareholders. The second 140bn will be raised by the issue of new savings shares on a rights basis, with each 15,000bn share being offered at a premium of 12,500bn on a one-for-one basis.

The rights issue, if approved by shareholders, will bring 140bn of new funds to Italcementi, which in the first half of this year had sales of 1,459bn. It should have no difficulty selling the new shares, since they are to be pitched at only about a fifth of the current quotation of Italcementi savings shares.

Italmobiliare, which owns half of Italcementi, and is heavily in debt, will benefit from the sale of its rights to shares in the Italcementi offer. Since the shares being offered under the rights issue are savings shares which do not carry voting rights, Italmobiliare's control of Italcementi will not be diminished and it will not need to buy them itself.

The announcement appears as a matter of record only.

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INTL. COMPANIES and FINANCE

Bernard Simon reports on the South African fertiliser industry

Drought sows seeds of discontent

RECENT EVENTS in South Africa's fertiliser industry have the makings of a tragic farce. Sunday newspaper readers have been entertained with juicy details of a gloves-off battle between Triomf, the country's biggest fertiliser group, and one of its smallest competitors, Hanhill. The more staid companies in the industry are trying to look the other way, hoping that soaking summer rains will soon stanch their mounting losses, now running at several million rand a month.

Industrial espionage and evidence obtained by phone taps are among the charges which have transformed smouldering personal animosities between Triomf and Hanhill executives into a blazing public row. To add spice to the saga, two of the principal actors are well-known former rugby stars.

These goings-on have been spurred by savage competition in the fertiliser industry, which is suffering an unprecedented slump in demand caused by the worst drought in living memory and the overall downturn in the South African economy.

Mothballed

Sales of "plant food," the industry term for nitrogen, potassium and phosphates, were 30 per cent lower in the first eight months of this year than the 500,000 tonnes sold in January-August 1982. Even if good rains fall in the next few months, demand for the whole of 1983 will be between 10 per cent and 15 per cent below last year's volumes.

Sales are only about half the producers' monthly capacity of 340,000 tonnes. AECI, South

Africa's largest chemicals group in which ICI has a 40 per cent stake, recently mothballed an ammonia plant south of Durban with an annual capacity of 180,000 tonnes. The fertiliser arm of the Sentrachem group, has closed two of its three phosphoric acid plants. It is rumoured that Triomf will soon wind down operations at its Richards Bay phosphoric acid factory, which has been hit by dwindling export demand.

Despite these closures, producers are still sitting on mountains of stock — a further burden to their balance sheets.

According to one fertiliser expert, Feimis is the only producer with a positive cash flow at present, partly because of its timely action in closing under-utilised plant and partly because it has been able to sell raw materials to less depressed sectors, such as the cement and animal feed industries.

Triomf has not consolidated results of its unlisted manufacturing subsidiary for the past two years (though it will do so again soon). But stockbrokers estimate that operating losses ran to around R10m (\$2.1m) in the six months to June 30.

Hanhill recently reported R2.4m pre-tax loss for the year to June, an AECI ascribed a 20 per cent plunge in overall trading income for the first six months of 1983 mainly to slack demand for agricultural nitrogen, a key raw material in fertiliser manufacture.

The local industry's plight has been aggravated by a controversial make-for-area barter deal between South African farmers and Romania. "It's a diabolical mess," says

one industry insider of the transaction, which has had ripple effects far beyond the fertiliser companies. The 208,000 tonnes of urea imported from Romania is roughly equal to one year's output from a mothballed AECI plant. The plastics industry is upset at losing a sale of 6m bags for locally produced urea. To say it all, much of the imported material has hardened in the bags and has had to be recycled by AECI.

Perturbed

The existing producers are much more perturbed by the impending entry of a new—and more permanent—competitor in the form of the oil-from-coal group Sasol, which has already begun retailing small quantities of fertiliser but will become a real force when the Sasol Three plant reaches full production next year. The synthetic fuel plants produce fertiliser raw materials as a by-product.

Sasol has supplied nitrogenous material to fertiliser producers, mainly Feimis and AECI (which sells some of its purchases on to Triomf), for years. But under the terms of an agreement with AECI, it has stayed out of the retail market.

The agreement applies only to Sasol One. Construction of the second and third oil-from-coal plants has thus given Sasol an opening to become a retailer too. It is now putting the finishing touches to a R100m fertiliser processing plant close to its new synfuel plants.

Sasol's facility will have a capacity of about 600,000 tonnes a year, equal to between 15 and 20 per cent of projected

demand for ammonia. Its competitors are bound to lose business. Triomf has an estimated 45 per cent of the consumer market. Feimis 35 per cent and Omnia, which is helping Sasol with its initial foray into the retail market, has just over 10 per cent.

AECI is not in the domestic retail business, but has a 49 per cent stake in Triomf's operating subsidiary, Mr Chris von Solms, AECI's director in charge of fertilisers, asserts that "what's good for Triomf is good for us."

Both AECI and Triomf are enmeshed in legal proceedings to try to keep Sasol at bay. AECI claims that Sasol One has breached its agreement to keep out of the retail market, although no such contract exists with Sasol Three. The AECI/Sasol dispute is going to arbitration.

Triomf has failed to obtain a court order barring Sasol from the retail market. Triomf alleges that AECI's contract with Sasol applies to it too, because of the links between AECI and Triomf. But Mr Louis Luyt, Triomf's chairman, now threatens to bring a suit against AECI. He claims that AECI has broken an unwritten agreement with Triomf obliging it to keep Sasol out of retailing in return for Triomf buying Sasol nitrogen from AECI.

There is no pointer yet how these wrangles will end. They will almost certainly be quickly forgotten when demand comes closer to the industry's capacity. Meanwhile, industry gossip suggests that Sasol's competitors-to-be are looking at other ways to spike its guns. "It's going to be Sasol versus the rest," predicts one executive.

Air NZ shows midway operating profit

BY DAI HAWYARD IN WELLINGTON

AIR NEW ZEALAND earned a NZ\$10m (US\$6.5m) operating profit for the first six months of the financial year to September 30, making a NZ\$38m turn around from last year's NZ\$38m operating loss for the six months. International passenger traffic increased by 9 per cent on international flights and by 5 per cent on domestic services. In the full financial year to March 31 Air New Zealand slashed its operating losses by NZ\$57m from NZ\$98m the previous year, to leave it with a NZ\$32m operating loss. However, by selling surplus aircraft and gaining tax credits, the airline finished the year with an overall net profit of NZ\$35m.

Amidst the resurgence, Mr Norman Geary, the chief executive, said: "We were over staffed, lacked a sense of commercial purpose and in some ways we were not professional enough. Not so now."

Mr Geary said some foreign airlines were still experiencing the

serious troubles Air NZ had been through, and he warned that some might not survive. Air New Zealand announced it was increasing its share holding in the Mount Cook group, the country's largest independent airline, to 45 per cent from 15 per cent. Mount Cook is also heavily involved in tourist operations.

The deal, which involves the transfer of 1.5m ordinary shares and 725,000 preference shares, will cost Air NZ NZ\$10m.

Mr Geary said the Mount Cook group would remain in its present form in every respect, but a combined effort will be made to increase inbound tourism.

Air New Zealand acquired the extra shares from the NZ South British group in the face of opposition from TNL, another major tourist and travel company.

The deal still has to be approved by the Examiner of Commercial Practices.

Hongkong Land sells office

HONG KONG — Hongkong Land, the colony's largest real estate concern, has completed the sale of its office building in Honolulu for US\$58.6m in cash.

Buyer of the 337,000 square feet Davies Pacific Center was VMS Realty Partners of Chicago.

The sale is timely and could well be followed by more where Hongkong Land can find buyers for its properties. The

company reported last Thursday a net loss for the first half of 1983 of HK\$107m (US\$13m) after writing off HK\$490m for the fall in value of developments.

The company has said on several occasions that one of its major goals this year is reducing debt. It has sold off other major assets where buyers could be found. AP-DJ

Philippines can project dropped

AMERICAN CAN, one of the biggest U.S. tin can producers, is to drop a US\$50m project in the Philippines, writes Emilia Tagawa in Manila.

American Can formed a joint venture with United Coconut Planters Bank (UCPB), one of the biggest local banks, to manufacture lead-free tin cans for beer, beverage and processed food.

Pick 'n Pay lifts sales by 23%

BY OUR JOHANNESBURG CORRESPONDENT

PICK 'N PAY, the fast-growing South African supermarket chain, adopted a highly aggressive marketing strategy in the six months ended August. As a result, first-half turnover of R866m (\$632m) was 23 per cent higher than the R566m of the corresponding period of 1982.

The strategy of boosting turnover during an economic recession was based on narrower margins. As a result first-half trading profit before tax rose by only 14.6 per cent to R19.6m

from R17.1m. In the year ended February 28 1983, turnover was R1.23bn and pre-tax profit R48.1m.

The retail food trade is becoming increasingly competitive. Mr Raymond Ackerman, chairman, has said he is willing to accept still narrower margins as a means of improving his market share. According to a market survey, the company has increased its share of the country's total retail trade from 3 per cent to 6 per cent in the past seven years. Mr Ackerman points out that the group's share is much larger if

food items alone are taken into account.

The group's 10th hypermarket is due to be opened in November and three more supermarkets are scheduled to be opened in the current half year. This will raise the total number of supermarkets managed by the chain to almost 70.

First-half earnings have increased to 57.1 cents a share from 49.6 cents and the interim dividend has been raised to 14.5 cents a share from 14 cents. Earnings for the year were 141 cents a share, and total dividend 61 cents.



All of these Securities have been offered outside the United States. This announcement appears as a matter of record only.

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UK COMPANY NEWS

Currys surges ahead to £9.4m after six months

PRE-TAX profits of Currys Group, retailer of domestic electrical appliances, surged ahead from £3.9m to £9.4m for the six months to July 27, 1983. Turnover, excluding VAT, rose by £24.1m to £149.47m.

The result included a much higher surplus of £3m (£0.51m) on property sales, but was after charging an increase from £0.38m to £2.38m in the provision for unexpired profit on credit trading. Interest payments rose from £12,000 to £87,000.

After tax of £2.4m, against an adjusted £1.3m, earnings per 25p share jumped from 5.5p to 14.9p. The net interim dividend is being raised from 1p to 1.4p, although this is partly to reduce disparity. Last year, a total of 6.75p was paid on taxable profits of £15.06m (£11.27m).

On prospects for the rest of the current year, the directors say that after a lull in August, overall sales in September have been running ahead of last year and if this increase can be maintained, they expect to announce satisfactory results for the 12 months.

They caution however, that it will be difficult to make significant increases on the very good sales figures achieved in the second half of last year. In addition, the restrictive effect of the higher prices resulting from the EEC/Japan agreement in relation to video recorders has led to customer resistance.

Reviewing the first six months, the directors say that following the excellent results of the second half of last year, the substantial improvement in business, stemming largely from the relaxation of HP and rental controls in July 1982 continued and was widely spread throughout the merchandise range.

Both HP and rental have continued to grow throughout the period, and both are major contributors to the level of profit achieved.

The continuing increase in HP balances has resulted in a further sizeable transfer to the provision for unexpired profit on credit trading.

During recent months the company has increased considerably its rate of acquisition of new shops. A large proportion of these are replacement units for existing Currys shops which it subsequently disposed of, the proceeds going towards the cost of the new acquisitions.

Because many of the old units are held on books at very low historic prices, this often results in a major part of the proceeds being described as profit. In real terms the inflationary content of such gains cannot be viewed in this category, the directors point out.

See Lex

A.B. Electronic up £1.54m

ON TURNOVER up from £25.9m to £29.38m the AB Electronic Products Group pushed its pre-tax profits up to £2.84m for the year to June 30 1983, an advance of £1.54m over 1981-82.

The directors continue to view the future with confidence as scheduled by new work, particularly in automotive and defence. They point out that electronics will make an increasing contribution to the results from 1984-85 when demand in other sectors might level off.

Capital expenditure during the year increased to £2.6m and will rise sharply during the current 12 months. The directors say that with improving profitability and gearing at only 13 per cent the group's existing borrowing facilities are adequate for foreseeable requirements.

Meanwhile, a final dividend of 5p (5p) lifts the total for 1982-83 by 4.5p to 12p net per 25p share. A scrip issue on a two-for-one basis is also proposed.

At the operating level profits totalled £3.12m (£1.74m) before interest charges of £281,000, compared with £432,000.

Earnings emerged at 46p (29.4p adjusted) basic and at 46p (21.4p adjusted) fully diluted after tax of £745,000 (£400,000).

The group's subsidiary at Camberley and the Isle of Wight increased their sales by 43 per cent and those in Germany and Austria increased theirs by 36 per cent and 20 per cent respectively. The new venture in Austria is now profitable.

In Wales, the connector business grew by 47 per cent, and the continuing market successes

Glossop down as interest costs double

FINANCE charges at Glossop more than doubled in the 1982-83 first half, offsetting a 20 per cent improvement in trading profits. At the pre-tax level the surplus fell from £419,000 to £402,000 for the six months to the end of July. Turnover of this building contractor expanded from £11.87m to £15.83m.

Trading profits rose from £522,000 to £616,000 but interest costs increased sharply from £103,000 to £214,000.

The net interim dividend is held at 1.576p—in the last full year a total of 5.08p was paid. Earnings per 5p share for the six months are shown as increasing from 4.4p to 4.6p.

They propose to extend the current accounting period to 18 months ending on July 31 1984, and envisage that a second interim dividend will be paid.

Funds from disposals, such as Metrotech which resulted in net profits of £420,000, shown as an extraordinary credit, will be made available for acquisitions.

After the extraordinary credit, and tax of £70,000 (£196,000) the attributable balance was considerably improved from £223,000 to £752,000.

Bilton up £0.47m as margins increase

ON TURNOVER reduced from £12.77m to £10.1m Percy Bilton, the property investment and development and civil engineering group, raised its pre-tax profits by £473,000 to £4.74m for the first six months of 1983.

First-half turnover fell slightly from £21.79m to £20.17m, with the overseas contribution down from £15.29m to £12.67m. The fall in overseas profits—down from £2.22m to £1.22m—reflects the devaluation of the Australian dollar and lower demand for cement from the depressed building and construction industry in Western Australia.

UK profits were marginally higher at £2.09m (£2m). The group's UK cement side benefited from modestly higher sales tonnages and continuing cost reduction exercises. However, its improved contribution was partially offset by results of Rom River, which made a small loss in difficult circumstances.

The group's UK cement side is expected from Rom River in the second six months. But strenuous action is being taken to improve its position as Rom adjusts to the changing market conditions for its products, particularly concrete accessories in the overseas markets.

However, the increase in Rom River's loss is expected to be more than offset by an improvement in overseas profits due to modestly higher sales in Western Australia and the favourable seasonal swing in the contribution from associated companies.

Elsewhere, the Farmella Hotel continued with its steady progress in the six months. Group trading profits for the period dropped from £11.18m to £7.52m. Earnings per share

Rugby Cement lower but interim up

A \$0.86M REDUCTION in overseas profitability left Rugby Portland Cement with lower overall pre-tax profits of £10.71m for the first half of 1983, against £11.52m last time. The net interim dividend, however, is being improved from 2.6p to 2.7p per 25p share. Last year, a total of 5.5p was paid from record £23.55m profits.

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DIVIDENDS ANNOUNCED

Company	Current payment	Date of payment	Corr. Total	Total last year
A.B. Electronic	9	—	3.5	7.5
Percy Bilton	3.7	—	1.75	3.5
Clarke Nickolls	2	—	0.2	0.85
Comfort Hotels	0.22	—	—	—
Currys	1.4	—	2.5	5.25
F&L Group	3.71	—	2.95	7
Freemans	1.9	—	1.9	4.15
Glossop	1.98	—	1.98	5.08
Goodwin	0.54	—	0.54	0.54
Lamont	0.57	—	0.4	1.3
Lister	0.1	—	0.1	0.1
Mollins	2.2	—	2.2	7.9
Rugby Cement	2.7	—	2.7	5.5
Strikes Restaurants	0.52	—	—	—
TR Pacific	1	—	1.75	2.75

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ US\$K stock. † Including special 0.75p.

slipped from 6.5p to 6.1p. The interim dividend, however, is being improved from 2.6p to 2.7p per 25p share.

● **Comment**
Rugby Cement clocked a snook at its UK competitors and surprised the market by increasing its UK turnover and profits in the first six months to June, through improved efficiency and gaining market share. That is in spite of the continuing problems at Rom River which Rugby expects to have in hand in time for the steel reinforcement business to contribute a small profit next financial year. Western Australia, having come to terms with the sudden severe depression will get a boost in the second half from the lime market linked to the buoyant aluminium industry and a continuing inflation linked contribution from the Farmella Hotel. The U.S. associate companies have experienced a pick up in demand, 6 per cent up on last year, which should come through quite dramatically in the seasonally better second half. Rugby might just manage to match last year's pre-tax profits of £11.52m and can then look forward to a cement price rise in the spring. A total dividend for the year of 5.7p net is on the cards which gives a prospective yield of over 5 per cent on the shares up to £101.

Freemans advances to £4.6m at midterm

A FASTER than expected improvement in profits has been produced by Freemans, the mail order group, in the 26 weeks to July 13 1983. Pre-tax profits increased from £3.15m to £4.59m, on slightly higher turnover, net of VAT, of £143.79m, against £136.8m.

The main reason for the profits increase has been a sharp fall in the bad debt charge, not anticipated before the autumn. Borrowings at the interim stage

showed a significant reduction from the figure at the beginning of the year.

Trading profits improved from £4.6m to £5.72m, before charging interest of £1.15m (£1.5m). After tax £1.15m higher at £2.33m, earnings per 25p share rose by 0.4p to 3.5p.

The net interim dividend is maintained at 1.9p per share—the final last time was 2.25p. Sales caught up with the level of the previous year at the very end of the period. The directors say it had to be expected that the strong and positive action taken against uneconomic agencies, slow paying customers and potential bad debt would make any sales increase difficult to obtain.

● **comment**
Freemans' profits recovery is coming through faster than expected. On the basis of these results the full year should reach £9.1m pre-tax. Yet the picture over little to say fundamental improvement in trading conditions which remain sluggish as ever. Freemans never discloses its bad debts but it is clear that actually all this profit increase is due to lower provisions. It is part and parcel of the company's tougher line towards its agencies. Freemans has been wading out unproductive agencies and new orders to doubtful ones. That action has also reduced working capital requirements, hence the fall in interest charges. However it has been at some small cost to market share which probably fell from over 12 to nearer 11 per cent. Freemans is dipping its toe into the profitable area of direct mail order, a tentative approach that follows a more committed attitude by Grattan. For the present the sector as a whole looks short of devoted customers and a yield of 7.3 per cent at 78p could make the price upwards if it doesn't go far before it starts hitting some institutional selling.

Harvard Securities full listing

Harvard Securities, the licensed dealer, plans to seek a full listing on the London stock exchange. The board is meeting tomorrow to appoint a merchant banker which it wants to act on its behalf for the flotation.

Mr. Wilmot, managing director, has said that at the end of its financial year to September 30 it expected to achieve a pre-tax profit of between £1.1m and £1.2m. Mr. Tom Wilmot, managing director, said yesterday that in the current year he expected profits to be around £2m.

Mr. Wilmot said that a full listing was "a natural step" in that his board would be reviewing which merchant bank to appoint for the flotation of the group's shares but added "it will also depend on who will have us."

Mr. Wilmot, and the group's chairman, Mr. J. J. Glickman, each hold 45 per cent of the equity while another director, Mr. J. P. Casey holds 10 per cent. Harvard Securities has 25,000 non-discretionary clients, for which it acts and has for some time been active in the small over the counter market.

At one time Harvard was locked in disputes with the Stock Exchange over the Exchange's refusal to cater for Harvard, a special list of professional dealers which receive large discounts on normal dealing rates.

It sued the Stock Exchange for restraint of trade, but lost. However, in July last year the Stock Exchange and Harvard settled their differences out of court when the Stock Exchange agreed to drop its surveillance of Harvard's share dealing and to allow a more committed attitude by Grattan. For the present the sector as a whole looks short of devoted customers and a yield of 7.3 per cent at 78p could make the price upwards if it doesn't go far before it starts hitting some institutional selling.

Lamont confident with midway profit over £0.6m

WITH ALL sections making their contribution and continuing to show signs of activity which have been absent from the industry scene for quite a few years, Lamont Holdings has shown substantial growth in the half year ended June 30 1983.

Turnover has advanced by 174 per cent, from £4.89m to £13.39m, and pre-tax profit has shot up by 287 per cent, from £154,000 to £1,010,000. The rise in turnover is attributed largely to the acquisition of Moyghashel, the textile group, in January.

The directors view the future with confidence and, particularly, the remainder of the present year. "Longer term prospects for growth, however, must be related to overall economic conditions," they emphasize.

Earnings have jumped from 0.96p to 3.14p, and the interim dividend is lifted to 0.5p (0.4p) per share. 1982 the company paid a total of 1.3p from a pre-tax profit of £568,000.

After tax £29,000 (£24,000) and minority losses £2,000 (£5,000),

the net attributable profit came out at £975,000 (£185,000). The interim dividend, on increased capital, absorbs £91,000 (£55,000).

The group's activities are in textile manufacturing, product engineering, life assurance, and property development and management.

Dwek in profit

A return to profitability has been achieved by Dwek Group, the PVC sheeting and household goods concern, in the first half of 1983. Profit for the period came out at £33,000, as against a £59,000 loss last time, and turnover rose from £5.36m to £6.46m.

The directors report that on present indications this trend should be maintained for the rest of 1983. Pre-tax loss for 1982 totalled £72,263 (£57,513 profit).

There was again no tax for the half year and earnings per 10p share were 0.39p, compared with an 0.7p deficit.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Final indications are not available as to whether the dividends are interim or final and the subdivisions shown below are based mainly on last year's timetable.

Company	Date
Isaiah—British Syphon Industries, Cals Industries, Christian International, Clifford's Dairies, Eber Industrial, Sagra, Wams, Blake, Bearn, Plessey, Bredell, Arthur Bell, James Halsewood, Rains Industries, Somporters.	
FUTURE DATES	
Interim—	
Adams Services	Oct 26
Anchor Chemical	Oct 26
Dabehama	Oct 26
Empire Stores (Bradford)	Oct 13
Fogarty	Oct 12
Lee Cooper	Oct 14
Microlease	Oct 10
Miller (F.) Textiles	Oct 10
Muscat	Oct 10
Sindell (William)	Oct 10
Trenwood	Oct 9
Turid	Oct 9
Walker (C. and W.)	Oct 7
Final—	
CPU Computers	Oct 12
Insurance Corp. Ltd. (Guernsey)	Oct 11
London and Strathclyde Trust	Oct 11
Lyles (S.)	Oct 10
Pennock International	Oct 13
Sanderson Murray and Elder	Oct 7

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Directors view the future confidently, with increasing contribution from automotive and defence electronics, and recommend:

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BIDS AND DEALS

Norcross takes 19.6% stake in UBM

By RAY MAUGHAN

Norcross, the industrial holding company, came back strongly into the market for shares in UBM Group, the builders' merchant, for which it is bidding £75m, as it declared that it had acquired a 19.59 per cent stake.

UBM's share price fell back 4p to 123p yesterday, after the 24 hours before Norcross' revised cash and equity offer reaches its next closing date. That allowed Norcross into the market in

pursuit of its alternative 125p-per-share cash offer, for which the stock market was quoting cash deals at 124p per share.

The bidder is expected to disclose the level of its acceptance today but it has not yet indicated when the £75.3m cash alternative will expire, as the equity runs up to close on October 23.

Whatever the final outcome of what is becoming an increasingly tightly drawn battle, the

bidder cannot expect to rely on any acceptance from Newarthill—the McAlpine building group's investment arm, Colguy, has a 9.5 per cent stake.

Newarthill said yesterday that "we wish to state that we do not intend to accept this offer or take any action to assist Norcross in buying UBM shares in the market."

It implied that it was following the lead adopted by Equity Capital for Industry, the so-

called investment bank, which holds 10.3 per cent of UBM's shares.

ECI has let it be known that, in the rare event of being asked to decide the merits or otherwise of a particular bid, it is not in the business of encouraging bids and takeovers. It has some sympathy with UBM's management in this instance but it has not decided its particular investment course and it has not held any meetings with Colguy.

Eagle Star company to seek full listing

Grove Securities, the industrial holding company in Eagle Star Holdings, is about to bring its high technology company V6 Instruments to the market. It is believed that around 25 to 30 per cent of the equity will be on offer and the company will be seeking full quotation.

V6 Instruments is the jewel in the Grove crown, contributing £7m of the £17m 1982 pre-tax profits. It specialises in a wide range of measuring instruments, including mass spectrometers and electron optics and employs 1,000 people.

This first move in a possible demerger of Grovewood from Eagle Star could explain the high activity in Eagle Star shares over the past couple of weeks and the strong rise in share price. But there are other speculative rumours concerning the intentions of the West German insurance group Allianz Versicherungs, which holds 28 per cent of Eagle Star.

Allianz yesterday again denied that it was negotiating the sale of its holding and it expressed concern at the rumours circulating London regarding its intentions. It claimed that these rumours were obviously aimed at bringing about a share price increase for purposes of speculation.

Allianz also reiterated its interest in acquiring Cornhill Assurance, a member of BTR. But it stressed that while such a development would lead to a consolidation of its Eagle Star stake, it would not necessarily result in an automatic disposal.

London Trust buys commodity advisor

London Investment Trust, the financial services group involved in commodity trading, has acquired the UK and the U.S. has acquired Tiltson Commodities.

Tiltson, founded in 1976, is the commodity trading advisor to the Western Group of commodity units trusts, as well as to a number of private and corporate commodity investors.

The initial cash consideration for the acquisition was £1.5m, based on the audited net asset value of Tiltson as at July 31 1982 estimated to be around £200,000. In addition, a deferred consideration of some £90,000 in pre-tax profits earned by Tiltson in the two accounting periods covering the 28 months to November 1982, will become payable.

When the consideration will be payable in cash or at the vendors' option up to £120,000 of such consideration may be satisfied by the issue of LIT shares valued at 50p in respect of the 18 month period to November 30 1984 and up to £210,000 by the issue of LIT shares valued at 70p in respect of the year to November 30 1985.

Armstrong Eqpt. Australian sale

W. H. Wylie & Co. (Pty) of Adelaide has agreed to purchase those assets of Armstrong Eqpt. (Pty), a subsidiary of Armstrong Equipment, which are concerned with the manufacture and sale of automotive suspension equipment.

The consideration for buildings, plant and equipment and inventory at valuation is approximately A\$4.1m (£2.45m), against a book value at June 30 1983 of A\$4.23m. The purchaser will also pay redundancy costs. The completion date for the transaction is October 31 1983, with balancing figures for inventory 21 days later.

The automotive component division of Armstrong York has made substantial losses during each of the past two years.

Coated Electrodes

The sale of a controlling interest in the British Steel Corporation's coated electrodes business to a group of management has been completed.

The businesses were sold to a new company, Coated Electrodes (Holdings), in which 52 per cent of the equity will be held by the management team and 48 per cent by BSC.

Rightwise shares jump 33p on bid news

SHARES IN Rightwise, the plantations group, leapt 33p to 233p yesterday following announcement over the weekend of details of a recommended offer by Crosby House for the 48 per cent stake in Rightwise that it does not already own. Rightwise shares had been suspended at 200p since late August.

It takes up fully, the share or loan stock offer values Rightwise at about £5.37m—or 238p a share. Crosby House's shares slipped 5p to 177p following the news. They had also been suspended since August.

Crosby House, which is more than 70 per cent owned by International Investment Trust Company of Jersey (IIT), is traditionally involved with freight forwarding and container storage.

However, assuming the offer is successful, it will change its name to R.E.A., which is full would be Rubber Estate Agency—reflecting a shift in emphasis to commodity trading and specialist bulk storage. Crosby's managing director, said yesterday that the merger served the needs of the company to diversify its activities, and would greatly simplify administration in two businesses which already overlap significantly.

As part of the deal, IIT will acquire from Crosby House its 43 per cent holding in Para Telephone Company, a small investment company, for £120,000. In addition, there will be a management buy-out of the group's freight forwarding business, with £200,000 being paid for goodwill.

Following an offer by IIT for Crosby House early this year, IIT boosted its holding from 37 per cent to more than 70 per cent. Following the acquisition of Rightwise, which will involve the issue of just over 2m Crosby shares, IIT's stake is expected to fall to just a little more than 50 per cent.

IIT has for the past two years been controlled by the Robinson family—largely, Mr. Hermann Robinson, a director of N. M.

Rothschild, and his son Mr. Richard Robinson—following the injection of its Jazerite Holdings company.

Dewhurst Dent

Deemview Securities, a privately owned company, is to purchase Dewhurst Dent, the glove maker and warehouse group, in an agreed takeover worth £1.4m.

The deal follows an agreed takeover in August of the parent companies of Dewhurst Dent, Anglo African Finance and the Textile Investment Company.

The purchaser, W & A Investment Corporation, a South African company, specified that the Manchester-based Khazam and Yentob families, who controlled both AAT and Textile, would either find an offer for the stake those companies held in Dewhurst Dent or, failing that, would make an offer themselves.

Deemview Securities has been set up by the Khazam and Yentob families specifically to purchase Dewhurst Dent.

W & A Investment has agreed to accept the Deemview Securities offer of 14p cash per share in respect of the 47 per cent stake of Dewhurst Dent held by AAT and the 29 per cent stake held by Textile.

In the six months to January 1983 Dewhurst Dent made pre-tax profits of £11,000 on turnover of £8.6m. Yesterday the shares were unchanged at 14p.

FKI Electricals

Following admission of FKI Electricals issued capital to the official list, Mr. A. Garland, chairman and chief executive, has sold 12.48m ordinary (17.9 per cent) and Mr. F. Berry, executive technical director, has sold 3.51m ordinary (5 per cent).

Following the disposals Mr. Garland's holding is 22.61m ordinary (32.4 per cent) and Mr. Berry's is 6.35m ordinary (9.1 per cent). They do not intend to dispose of any more of their holdings for a period of at least one year.

The shares have been placed by Pannure Gordon and Co with institutional investors.

Earlier this year FKI's major shareholder, Numbering Machines from the Rank Organisation, has turned this loss-making company into profit and ENM could contribute in the region of £500,000 to FKI profits in a full year.

Looking beyond the current year directors anticipate further steady growth with ENM making a further marked recovery as efficiencies are improved.

Parkfield Foundries

Parkfield Foundries announces that preliminary negotiations are taking place which may lead to a modest acquisition.

Such an announcement would not normally be issued at this early stage but, in view of the current rights issue, the board wishes shareholders to be aware of these discussions.

John Waddington

Pergamon recently acquired 281,000 ordinary of John Waddington of which 256,000 were acquired in exchange for 738,000 ordinary in BPOC. Pergamon owns or controls 91.35m ordinary shares in BPOC (76.7 per cent).

Tate of Leeds

Agreement was reached between T. P. Tate and those directors representing shareholders not connected with the Tate family interests on the terms of a scheme involving the proposed acquisition of all the 578,519 ordinary in Tate (48.21 per cent) that are not already owned in the Tate family interests.

It is proposed that this acquisition should be made by Tate Holdings, a company controlled by T. P. Tate together with other members of his family and family trusts, by means of a scheme of arrangement under the Companies Act 1948.

Terms of the scheme are such that holders of the majority shares would receive 210p in cash for each Tate ordinary.

This values the minority shares at £1214,900 and the whole issued ordinary capital of Tate at £2,526m. The terms are considered as "fair and reasonable" and shareholders are recommended to vote in favour of the scheme.

Country Gentlemen

Country Gentlemen's Association has bought the chartered accountancy practice of Anthony Brunt and Co. of Cullompton, Devon, for a basic sum of £388,000.

The profits of the practice as at September 30 1982 are about £15,000. As a result of this transaction, the CGA hopes to expand its professional services and representation in the West country.

English China

English China Clays has acquired SPI Chemicals, the clay division's agent for pigment for the paper industry in Sweden.

The acquisition from the present owners, a consortium of papermakers and forest owners, is made for a cash consideration of Swkr 31,275,000 (£2,637,000). The purchase enables ECC to unify and strengthen its selling arrangements in Sweden, a major market for products of the Clay Division.

Dupont

Dupont has acquired Kendrick Computing for £244,000 cash. Kendrick provides a range of specialised computer services, data processing on a bureau basis, and a computer systems for companies with full facilities management.

Brown & Tawse

Caparo Industries are interested in 2.65m ordinary shares in Brown and Tawse (9.88 per cent).

ICSID design '83 congress.

Milan, October 23-29, 1983.

World congress on industrial design.

Congress schedule of events

October 23rd, 1983
Inaugural ceremony featuring piano concert (La Scala Theater)

October 24th, 1983
In the morning (Dal Verme Theater)
"Elements for an international technical and socioeconomic scenario"

In the afternoon (ex Stelline Palace)
Design and industry:
The automobile.
The context of global design.

October 25th, 1983.
In the morning (Dal Verme Theater)
Italy: an analysis of a real situation.

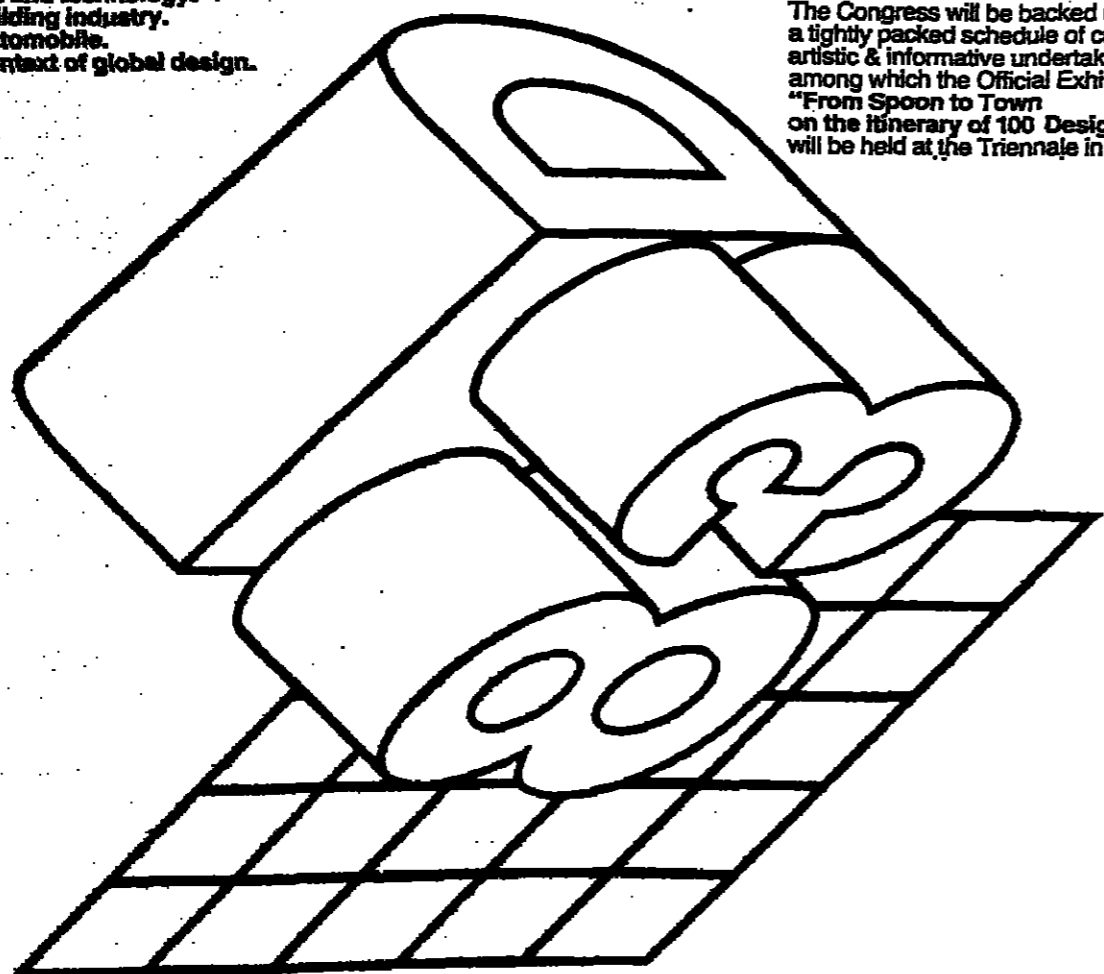
In the afternoon (ex Stelline Palace)
Philosophies.
Criticism and the press.
Fashion design.

October 26th, 1983
In the morning (Dal Verme Theater)
"Design as an emerging value".

In the afternoon (ex Stelline Palace)
Design in transition: Industry.
Design in transition: Public bodies.
Promoting design to school children.
New possibilities of design education.

October 27-28-29th, 1983
ICSID social events & Meeting.
The Congress will be backed up by a tightly packed schedule of cultural, artistic & informative undertakings, among which the Official Exhibit From Spoon to Town on the itinerary of 100 Designers will be held at the Triennale in Milan.

Promoted by the International Council of Societies of Industrial Design (ICSID) by the Industrial Design Association (ADI) and the Italian Association of Furniture and Interior Decoration Industries (ASSARREDI) in cooperation with Philip Morris under the Patronage of the President of the Republic of Italy, organized by FILSMA, Federlegno-Arrredo Fair Organization.



Registration fees:
participants: 555.000 lire
students/
social participants 370.000 lire

Congress Secretary's Office.
FILSMA, Via Mascheroni 19,
20145 Milan
Tel. 463252-468793
Telex 334690 FILSMA-I

RUGBY CEMENT

Interim Report

The Directors of The Rugby Portland Cement P.L.C. announce that the unaudited Group results for the six months to 30th June 1983 were as follows:—

	6 months to 30th June 1983 £'000	6 months to 30th June 1982 £'000	Year to 31st Dec 1982 £'000
Turnover			
United Kingdom	67,497	66,500	135,521
Overseas	12,674	15,292	30,186
	<u>80,171</u>	<u>81,792</u>	<u>165,707</u>
Trading Profit			
United Kingdom	8,094	7,998	16,639
Overseas	2,318	3,183	5,915
	<u>10,412</u>	<u>11,181</u>	<u>22,554</u>
Interest Received and Investment Income	2,013	2,170	4,529
Interest Paid	(1,581)	(1,967)	(3,816)
	<u>10,834</u>	<u>11,384</u>	<u>23,267</u>
Group Share of Associated Companies	(125)	(116)	286
Profit before Taxation	<u>10,709</u>	<u>11,268</u>	<u>23,553</u>
Taxation			
United Kingdom	(2,609)	(2,315)	(5,702)
Overseas	(770)	(979)	(2,131)
Associated Companies	111	(3,294)	(22)
	<u>(3,268)</u>	<u>(3,294)</u>	<u>(7,855)</u>
Profit after Taxation	<u>7,441</u>	<u>7,974</u>	<u>15,698</u>
Minority Interests	(120)	(168)	(317)
Profit before Extraordinary Item	<u>7,321</u>	<u>7,806</u>	<u>15,381</u>
Extraordinary Item	—	—	(226)
Profit after Extraordinary Item	<u>7,321</u>	<u>7,806</u>	<u>15,155</u>
Earnings per Share	<u>8.1p</u>	<u>6.5p</u>	<u>12.9p</u>

The results for the year to 31st December 1982 are an abridged version of the Company's full accounts for that year which received an unqualified auditors' report and have been filed with the Registrar of Companies.

The U.K. Cement Group benefited from modestly higher sales tonnages and the continuing cost reduction exercises. However, its improved profits were partially offset by the results of Rom River, which, in difficult circumstances produced a small trading loss.

The fall in overseas trading profits reflects the devaluation of the Australian dollar and the lower demand for cement from the depressed building and construction industry in Western Australia. The Parmelia Hotel continued with its steady progress.

With regard to the second half of the year, a further deterioration is expected from Rom River. Strenuous action is being taken to improve the position, as

Rom River adjusts to the changing market conditions for its products, particularly concrete accessories in the overseas markets. However, the increase in that company's loss should be more than offset by an improvement in overseas profits due to modestly higher sales in Western Australia and the favourable seasonal swing in the contribution from Associated Companies.

The Directors have declared an interim dividend on account of the year ending 31st December 1983 of 2.7p a share — £3,244,134 (1982 — 2.6p a share — £3,115,038).

The dividend will be paid on the 3rd January 1984 to shareholders on the register on the 4th November 1983.

	6 months to 30th June 1983 £m	6 months to 30th June 1982 £m	Year to 31st Dec 1982 £m
Historical Cost Trading Profit	10.4	11.2	22.8
Current Cost Adjustments			
Cost of Sales	(0.6)	(1.6)	(1.7)
Depreciation	(3.1)	(2.7)	(7.3)
Monetary Working Capital	0.1	(0.1)	(0.1)
	<u>6.8</u>	<u>6.8</u>	<u>13.5</u>
Current Cost Operating Profit			
Gearing Adjustment	0.2	0.3	0.5
Net Interest Received	0.4	0.2	0.7
Associated Companies	(0.2)	(0.2)	0.2
Profit before Taxation	<u>7.2</u>	<u>7.1</u>	<u>14.9</u>
Taxation	(3.2)	(3.3)	(7.9)
Profit after Taxation	<u>4.0</u>	<u>3.8</u>	<u>7.0</u>
Minority Interests	—	(0.1)	—
Profit before Extraordinary Item	<u>4.0</u>	<u>3.7</u>	<u>7.0</u>
Extraordinary Item	—	—	(0.2)
Profit after Extraordinary Item	<u>4.0</u>	<u>3.7</u>	<u>6.8</u>
Earnings per Share	<u>3.3p</u>	<u>3.1p</u>	<u>5.8p</u>

Boyd-Carpenter
Chairman

THE RUGBY PORTLAND CEMENT P.L.C., CROWN HOUSE, RUGBY CV21 2DT.

Mitsubishi Finance International Limited

Mitsubishi Finance International Limited has been formed in London as the major merchant banking subsidiary of The Mitsubishi Bank, Limited.

Mitsubishi Finance International Limited has taken over the role previously played by Mitsubishi Bank (Europe) S.A., Brussels, and will broaden the active participation played by The Mitsubishi Bank Group in the international capital markets.

Mitsubishi Finance International Limited
6 Lombard Street, London EC3V 9AA.
Telephone: 01-726 4500. Telex: 8954381 BISHFI G.

Mitsubishi Finance International Limited is a wholly owned subsidiary of The Mitsubishi Bank, Limited.



Substantially improved results



Interim Statement

for the half year ended 30th June, 1983

	6 months to 30.6.83 £m	6 months to 30.6.82 £m
Turnover — Work carried out by the Group including attributable Share of Associates	616.0	517.0
Operating Profit including Share of Associates	16.1	13.4
Interest Payable less Receivable	7.9	7.2
Profit Before Taxation	8.2	6.2
Taxation	2.0	1.2
Profit After Taxation Attributable to Shareholders	6.2	5.0

The directors have decided to declare an interim dividend of 0.85p per share (1.85p*) totalling £2,393,600 (£2,176,000*) which will be paid on 8th January, 1984 to ordinary shareholders on the register at 2nd December, 1983.
(*1982 interim dividend).

The Chairman, Sir Reginald Smith, comments:

For the six months ended 30th June 1983, unaudited profits before tax were £8.2 million compared with £6.2 million in the six months to the end of June 1982. The directors have declared an interim dividend of 0.85p per share which in effect is an increase of 10% compared to the previous interim dividend because of the increase in the issued share capital.

In the United Kingdom good progress has been made by Wimpey Homes with the legal completion of the sale of 4,200 houses achieved in the six months to the end of June compared to 3,600 in the same

period in 1982. Progress has also been made in construction, waste management and building materials.

In North America investments in housing and land in the USA are making a worthwhile contribution and firm action is being taken in Canada to mitigate the difficult market conditions. Elsewhere important contracts have been won and the Group's order book is higher than at this time last year.

George Wimpey PLC
Hammermith Grove,
London W6 7EN.

Molins warns of lower profits

THE DIRECTORS of Molins warn that pre-tax profits for the full year will now be below the £8.3m reported for 1982 and not "comparable" as was expected at the last annual meeting. However, in spite of this they point out that liquidity and gearing will remain healthy.

Although sales for the first half of 1983 expanded from a restated £80.3m to £85.4m, taxable profits were unchanged at £3.2m after same-again interest charges of £0.4m.

The tobacco machinery division pushed its share of profits up from £5.1m to £5.4m but losses from corrugated board machinery rose by £0.3m to £1.8m.

Present indications are that tobacco machinery profits for the full year will be somewhat lower than last year. The directors say this is due to continuing unsatisfactory trading situation at Deptford and to local economic conditions affecting customers of certain of the overseas operations.

They also expect that price competition for new machinery orders will continue materially to affect Langtons margins, and therefore its results, for the full year.

First half earnings emerged at 9.6p (8p) per 25p share after tax of £0.4m (£0.7m) and minorities last time of £0.1m. Attributable profits amounted to £2.8m, against £2.4m.

The interim dividend is the same at 2.2p net—a final of 5.7p was paid in 1982.

Tobacco machinery profits from the UK operations in aggregate showed an increase over last year.

Profits from overseas tobacco operations in aggregate were somewhat lower than last year. The directors say the tobacco industry in many countries is being increasingly affected by the effect on their customers of increased tax on cigarettes and the shortage of currency in many developing countries.

They add that this is likely to influence purchases of new machinery in the short to medium term, and to intensify the existing fierce competition for sales of new machinery.

In the corrugated board machinery division there has been some improvement in market demand generally over the heavily depressed level of recent years, and with the continuing good response for its product range, Langtons U.S. has increased its sales and order-book.

However, there is still intense competition worldwide for new machinery orders, which has heavily depressed margins, the directors state.

The interim report reveals that the impact of these factors on Langtons U.S. coupled with the effect on both its home and export markets of the strength of the U.S. dollar, was severe. Although this was mitigated in part by improvements in operating efficiency, including those resulting from the consolidation of its operations on one site at Cherry Hill, Langtons incurred a "substantial loss" in the first half year.

The results for the corrugated board machinery business in total represent a reduction in the rate of loss incurred as compared with second half of 1982. This was mainly due to the return of Langtons Bristol to profitability.

comment

Molins figures for the first half are disappointing. This is mainly due to a sharp drop in demand for its new Mark 10 cigarette making machine and SP1 Soft Packer fully on stream, Langtons, the U.S. corrugated machinery division continues to be a problem, the strong dollar has increased import penetration and turned market competition into a cut-throat affair in the first half. Sales volume was up but margins were slashed to the bone. However the underlying position of the whole group is strong. In the longer term, excluding the UK, world consumption of tobacco products is expected to grow around 3-5 per cent a year and this should eventually feed through into demand for Molins machinery. Estimates for full year profits have been scaled down in light of these results and a figure of £7.6m pre-tax seems appropriate.

Yesterday the shares dropped 3p to 118p giving a prospective p/e ratio of over 9 fully taxed.

Charles Hurst

Charles Hurst, engaged in the sale, maintenance and repair of cars and commercial vehicles, reports that turnover for the first six months of 1983 increased from £20.64m to £28.75m.

After all charges, including tax of £78,500 (£7,000), the attributable balance emerged at £24,000 (£212,000). The results this time include extraordinary income of £38,000, being profit on sale of surplus properties and reduction of £1,000, the directors state.

Earnings per share for the half year to June 30 are given as 30.14p against 9.2p.

The interim dividend is increased by 0.2p to 2p net. Last year a final of 2.35p (1.65p) was paid from pre-tax profits of £493,000 (£103,000).

S. R. Gent meets forecast with £5.2m

IN LINE with the forecast made last June by S. R. Gent, when it obtained a full listing on the Stock Exchange, pre-tax profits amounted to £5.2m against £4.2m, for the year to the end of June 1983.

At the time of the offer for sale pre-tax profits were forecast at £5m. The directors said that no dividend would be paid for 1983, but that a total of 5p would be paid for the year to the end of June 1984.

Earnings per share for 1982-83 were given arising from 11.8p to 14.6p.

Turnover grew from £50.74m to £70.2m—5m the company has 17 manufacturing facilities in the UK, centred around Barnsley and for the year to the end of June 1983, 95 per cent of UK sales were to Marks and Spencer.

The company makes dresses, skirts, blouses, nightwear and leisurewear for ladies and children, and has recently introduced co-ordinated ladieswear, men's outerwear and household textiles.

The directors now say that the offer for sale raised £5m—proceeds were received after the year end and have had no effect on the figures.

The company has formed a new subsidiary in Canada which started operations in December 1982 to supply Marks and Spencer in that country.

In the offer for sale document the directors said the net proceeds would provide additional working capital and would strengthen the capital base, facilitating continued development.

Despite recession in the UK during 1980, the company continued its policy of expansion—turnover rose 44 per cent but margins were reduced at that stage. The benefits of expansion were worked through in the year to the end of June 1982. In the offer document the directors said that marketing expertise plus advanced production facilities would help the company in the competitive markets in which it operates.

At the end of December 1982 shareholders' funds stood at £14.1m (£13.1m).

By June 1983 unsecured bank overdrafts stood at £1.02m, unsecured loans at £1.56m and lease obligations at £1.03m.

Profits from related companies increased from £381,000 to £382,000. Net interest payable was reduced from £1.61m to £1.1m.

The tax charge of £359,000 (£367,000) is for tax on related companies only—the directors say that there is no tax charge on the profits of the company and subsidiaries because of capital allowances and stock relief for the current and prior years.

Substantial rise seen by Comfort

FOR THE current year the directors of Comfort Hotels International are looking for a "substantial increase" in profit over the £1.25m pre-tax achieved in 1982. Buoyant trading has been experienced in recent weeks, they state.

The 28 weeks ended July 10 1983 has produced an advance in profit from £108,000 to £227,000, from turnover £1.44m higher at £14.36m. The second half of the year is the more profitable, the directors remind shareholders.

The transaction with Routestone has been finalised with the exception of the Curzon Hotel, which has been retained. The Eden Park and Hyde Park Towers Hotels were sold for £2.1m cash in mid-August.

Arrangements are being finalised to lease the Birmingham and Leicester International Hotels comprising some 430 rooms with extensive banqueting facilities and public areas. This is in continuation of the strategy to broaden the base of hotel operations both geographically and in terms of larger more modern hotels.

After tax £26,000 (£45,000), minorities £2,000 and extraordinary charges £126,000 the net profit attributable came to £338,000 (£53,000). Earnings are shown at 0.74p net per share and the interim is raised from 0.2p to 0.22p.

Strikes Restaurants, the subsidiary floated on the USM last March, has made a number of acquisitions and is continuing to trade successfully. For the first 28 weeks this group has made a profit of £291,000 before tax £79,000, and expects the figure for the year to exceed the £548,000 achieved in 1982.

The franchise operation is taking longer to establish itself than originally envisaged, but

satisfactory progress should be made in 1984.

comment

Property disposals and a decline in interest rates allowed Comfort to reduce its interest bill by £283,000, and left gearing at just over 80 per cent of shareholders' funds—a useful reduction from the year-end level of 119 per cent. That means the underlying trading improvement was fractional, so the market reacted coolly to almost quantified earnings and only marked the shares up 1p to 29p. A recent improvement in trading conditions in the sector had in any case been largely discounted. Meanwhile, the group seems unworried by its high gearing, pointing out that debt is well backed by net assets of £15.5m.

Nevertheless, the thinking behind the flotation of Stripes—to create another vehicle for group expansion plans—indicates a certain caution about strains on the balance sheet. It may be that Darvilles will be the next Comfort offshoot to boot up on the USM.

The usual seasonal increase in occupancy rates should see a final pre-tax profit of around £2.5m against £1.3m, the shares on a prospective multiple of just over 9, assuming a 25 per cent tax charge.

FT share Information

The following securities have been added to the share Information Service: Command Petroleum N.L. (Section: Oil and Gas) SCUSA Inc (Electricals) Westport Petroleum (Oil and Gas)

Granville & Co. Limited

(formerly M. J. H. Nightingale & Co. Limited)

27/28 Lovat Lane London EC3R 9EB Telephone 01-421 1212

Over-the-Counter Market

1982-83	Company	Price Change	Gross Yield	P/E	Fully
High	Low				
123	120	132	8.4	4.8	7.7
158	117	145	8.0	4.2	21.1
74	57	101	8.1	4.0	21.1
46	21	67	7.2	3.5	20.1
242	88	154	10.7	11.2	20.1
101	101	115	17.8	10.5	20.1
270	154	184	17.8	10.5	20.1
88	45	133	8.7	3.3	5.8
77	54	121	7.1	13.1	3.4
138	75	163	8.7	3.3	5.8
85	54	139	7.1	13.1	3.4
80	64	144	8.7	3.3	5.8
100	59	159	7.1	13.1	3.4
200	100	300	15.7	2.9	10.5
114	47	161	10.8	4.2	21.1
237	111	348	11.4	5.4	11.7
250	137	387	20.0	14.8	11.5
187	104	291	2.9	2.8	2.8
29	21	40	1.0	1.0	7.8
276	214	358	17.1	6.5	4.1

Licensed Dealer in Securities

NOTICE OF REDEMPTION

To the Holders of
THE GOVERNMENT OF THE REPUBLIC OF SINGAPORE
7 3/4% External Loans Bond 1987
BONDS OF US\$1,000 EACH

NOTICE IS HEREBY GIVEN pursuant to the provisions of the Conditions of November 1, 1972, under which the above-described Bonds were issued, Citibank N.A. formerly First National City Bank, as Fiscal Agent has selected for redemption through drawings by lot, US\$1,758,000 principal amount of the above described Bonds. The serial numbers of said Bonds selected are as follows:

000001	000002	000003	000004	000005	000006	000007	000008	000009	000010	000011	000012	000013	000014	000015	000016	000017	000018	000019	000020	000021	000022	000023	000024	000025	000026	000027	000028	000029	000030	000031	000032	000033	000034	000035	000036	000037	000038	000039	000040	000041	000042	000043	000044	000045	000046	000047	000048	000049	000050	000051	000052	000053	000054	000055	000056	000057	000058	000059	000060	000061	000062	000063	000064	000065	000066	000067	000068	000069	000070	000071	000072	000073	000074	000075	000076	000077	000078	000079	000080	000081	000082	000083	000084	000085	000086	000087	000088	000089	000090	000091	000092	000093	000094	000095	000096	000097	000098	000099	000100	000101	000102	000103	000104	000105	000106	000107	000108	000109	000110	000111	000112	000113	000114	000115	000116	000117	000118	000119	000120	000121	000122	000123	000124	000125	000126	000127	000128	000129	000130	000131	000132	000133	000134	000135	000136	000137	000138	000139	000140	000141	000142	000143	000144	000145	000146	000147	000148	000149	000150	000151	000152	000153	000154	000155	000156	000157	000158	000159	000160	000161	000162	000163	000164	000165	000166	000167	000168	000169	000170	000171	000172	000173	000174	000175	000176	000177	000178	000179	000180	000181	000182	000183	000184	000185	000186	000187	000188	000189	000190	000191	000192	000193	000194	000195	000196	000197	000198	000199	000200	000201	000202	000203	000204	000205	000206	000207	000208	000209	000210	000211	000212	000213	000214	000215	000216	000217	000218	000219	000220	000221	000222	000223	000224	000225	000226	000227	000228	000229	000230	000231	000232	000233	000234	000235	000236	000237	000238	000239	000240	000241	000242	000243	000244	000245	000246	000247	000248	000249	000250	000251	000252	000253	000254	000255	000256	000257	000258	000259	000260	000261	000262	000263	000264	000265	000266	000267	000268	000269	000270	000271	000272	000273	000274	000275	000276	000277	000278	000279	000280	000281	000282	000283	000284	000285	000286	000287	000288	000289	000290	000291	000292	000293	000294	000295	000296	000297	000298	000299	000300	000301	000302	000303	000304	000305	000306	000307	000308	000309	000310	000311	000312	000313	000314	000315	000316	000317	000318	000319	000320	000321	000322	000323	000324	000325	000326	000327	000328	000329	000330	000331	000332	000333	000334	000335	000336	000337	000338	000339	000340	000341	000342	000343	000344	000345	000346	000347	000348	000349	000350	000351	000352	000353	000354	000355	000356	000357	000358	000359	000360	000361	000362	000363	000364	000365	000366	000367	000368	000369	000370	000371	000372	000373	000374	000375	000376	000377	000378	000379	000380	000381	000382	000383	000384	000385	000386	000387	000388	000389	000390	000391	000392	000393	000394	000395	000396	000397	000398	000399	000400	000401	000402	000403	000404	000405	000406	000407	000408	000409	000410	000411	000412	000413	000414	000415	000416	000417	000418	000419	000420	000421	000422	000423	000424	000425	000426	000427	000428	000429	000430	000431	000432	000433	000434	000435	000436	000437	000438	000439	000440	000441	000442	000443	000444	000445	000446	000447	000448	000449	000450	000451	000452	000453	000454	000455	000456	000457	000458	000459	000460	000461	000462	000463	000464	000465	000466	000467	000468	000469	000470	000471	000472	000473	000474	000475	000476	000477	000478	000479	000480	000481	000482	000483	000484	000485	000486	000487	000488	000489	000490	000491	000492	000493	000494	000495	000496	000497	000498	000499	000500	000501	000502	000503	000504	000505	000506	000507	000508	000509	000510	000511	000512	000513	000514	000515	000516	000517	000518	000519	000520	000521	000522	000523	000524	000525	000526	000527	000528	000529	000530	000531	000532	000533	000534	000535	000536	000537	000538	000539	000540	000541	000542	000543	000544	000545	000546	000547	000548	000549	000550	000551	000552	000553	000554	000555	000556	000557	000558	000559	000560	000561	000562	000563	000564	000565	000566	000567	000568	000569	000570	000571	000572	000573	000574	000575	000576	000577	000578	000579	000580	000581	000582	000583	000584	000585	000586	000587	000588	000589	000590	000591	000592	000593	000594	000595	000596	000597	000598	000599	000600	000601	000602	000603	000604	000605	000606	000607	000608	000609	000610	000611	000612	000613	000614	000615	000616	000617	000618	000619	000620	000621	000622	000623	000624	000625	000626	000627	000628	000629	000630	000631	000632	000633	000634	000635	000636	000637	000638	000639	000640	000641	000642	000643	000644	000645	000646	000647	000648	000649	000650	000651	000652	000653	000654	000655	000656	000657	000658	000659	000660	000661	000662	000663	000664	000665	000666	000667	000668	000669	000670	000671	000672	000673	000674	000675	000676	000677	000678	000679	000680	000681	000682	000683	000684	000685	000686	000687	000688	000689	000690	000691	000692	000693	000694	000695	000696	000697	000698	000699	000700	000701	000702	000703	000704	000705	000706	000707	000708	000709	000710	000711	000712	000713	000714	00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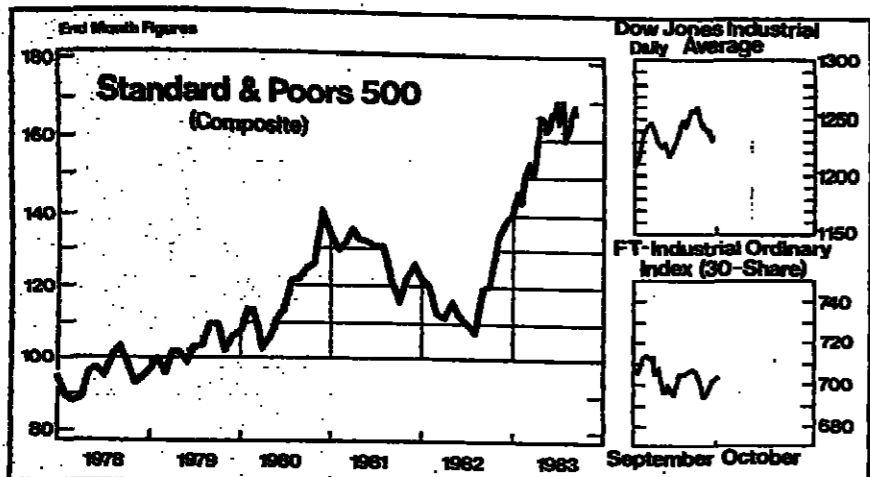
SECTION III - INTERNATIONAL MARKETS

FINANCIAL TIMES

Tuesday October 4 1983

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KEY MARKET MONITORS



STOCK MARKET INDICES			
	Oct 3	Previous	Year ago
NEW YORK			
DJ Industrials	1231.30	1233.13	907.74
DJ Transport	560.79	561.58	385.08
DJ Utilities	135.12	134.68	115.91
S&P Composite	165.80	166.07	121.97
LONDON			
FT Ind Ord	703.7	702.6	570.6
FT-A All-shares	444.81	445.59	355.82
FT-A 500	488.27	483.04	398.67
FT-A Ind	435.27	434.83	372.51
FT Gold mines	541.6	581.3	361.3
FT Govt secs	81.81	81.88	78.78
TOKYO			
Nikkei-Dow	9450.10	9402.59	6849.78
Tokyo SE	682.00	681.08	520.82
AUSTRALIA			
All Ord.	closed	718.0	500.4
Metals & Mins.	closed	588.2	391.0
AUSTRIA			
Credit Aktien	55.10	55.07	47.86
BRUSSELS			
Belgian SE	130.67	131.69	100.33
CANADA			
Toronto			
Composite	2465.1	2489.5	1591.0
Industrial	441.81	446.5	289.58
Combined	419.38	425.54	274.63
DENMARK			
Copenhagen SE	196.20	196.93	90.53
FRANCE			
CAC Gen	139.5	139.7	98.6
Ind. Tendance	149.7	149.4	114.2
WEST GERMANY			
FAZ Aktien	317.26	316.21	234.54
Commerzbank	940.50	939.0	708.2
HONG KONG			
Hang Seng	715.01	758.33	882.06
ITALY			
Banca Comm.	193.51	195.43	162.97
NETHERLANDS			
ANP-CBS Gen	142.1	143.1	87.3
ANP-CBS Ind	116.0	116.6	68.7
NORWAY			
Oslo SE	205.22	207.97	101.52
SINGAPORE			
Straits Times	962.84	979.35	658.97
SOUTH AFRICA			
Gold	748.1	808.9	658.2
Industrial	939.1	951.4	685.9
SPAIN			
Madrid SE	closed	116.82	98.72
SWEDEN			
J & P	1439.30	1455.55	695.26
SWITZERLAND			
Swiss Bank Ind	334.3	334.7	252.8
WORLD			
Capital Int'l	180.5	181.5	133.1
GOLD (per ounce)			
	Oct 3	Previous	Year ago
London	\$381.625	\$408.975	
Frankfurt	\$381.125	\$408.50	
Zurich	\$381.50	\$407.50	
Paris (fading)	\$384.20	\$406.79	
London (fading)	\$383.25	\$404.00	
New York (Oct)	\$380.90	\$382.00	

WALL STREET

Unnerving memories of massacres

SENTIMENT appeared somewhat nervous on Wall Street as yesterday's trading session unfolded and although stock prices rallied from an early setback, investment support was lacking, writes Terry Byland in New York.

The major institutional investors appeared unsettled by the halting of foreign exchange sales in Argentina and by further indications of a break in gold and commodity prices on world and U.S. markets.

Bond markets too water ahead of today's meeting of the Federal Reserve Board's Open Market Committee, although the consensus view in the market was that the Fed would probably leave policy unchanged for the present.

The stock market opened with widespread falls throughout the range, accompanied by gloom-ridden murmurs of "another October massacre" - October has a murky history on Wall Street going all the way back to 1929. The market's nervousness also reflected the ending last week of the third fiscal quarter when stock prices often benefit from reshuffling of portfolios as fund managers brace themselves for the year end.

Stock prices quickly rallied from their early falls but the rest of the session proved somewhat erratic. Prices fell away again in the early afternoon before a closing rally which still left the market on the downside.

The Dow Jones Industrial average, having dipped to 1,222.36 at one point, ended a net 1.83 off at 1,231.30 on moderate turnover of 77.2m shares traded. Shares with losses totalled 944, compared with 639 with gains.

Falls in world metal market prices, and in New York quotations for gold and silver bullion brought sharp setbacks in producer issues. Among the North American mining issues, Homestake Mining, a major producer of gold and base metals, dipped by 5 1/4% to \$27 1/4, and International Nickel, the world's biggest nickel producer, slipped by 3 1/4% to \$15 1/4. ASA, the closed-end South African investment company popular with U.S. investors, lost 3 1/4% to \$54 1/4.

Losses in South African gold mining stocks, quoted in New York in the form of American Depositary Receipts, included Buffelsfontein, \$3 off at \$48 1/4, and Western Deep Levels \$3 1/4 off at \$45 1/4.

But the setback in bullion prices was seen on Wall Street as perhaps only part of the downturn over the past four trading days in prices for other commodities, notably oil and heating oil. This is in turn seen as a response to indications that the U.S. economic upturn may now be slowing down.

A break in commodity prices would be neutral for stocks at the moment, said Mr Steven Kroll, vice-president at Hutton Asset Management, "but it could mean an explosion in the bond market."

Early falls among the high-technology issues were cut back, and IBM edged forward by 3/4% to \$128 1/4, within hailing distance of its recent high point.

Pharmaceutical issues provided a firm spot, led forward by Pfizer, 1 1/4% up at \$41 1/4, and Bristol-Myers, 1 1/4% better at \$42 1/4.

The hope that profits will benefit from Federal permission for retirement funds to invest in their high interest accounts pushed bank shares ahead. Chase Manhattan at \$48 1/4 added 3/4% and Continental Illinois 5/4% to \$23.

Airline issues remained nervous after the recent developments at Continental and Eastern. Eastern dipped 5/4% to \$28 1/4.

and Delta 3/4% to \$35 1/4. Only American at \$28 1/4 resisted the trend with a gain of 3/4%.

Credit markets refused to be unsettled by Friday's disclosure of a rise in M1 money supply. The Federal Reserve helped the mood with a three-day system repurchase arrangement, but Federal Funds remained obstinately high at 9 1/4% per cent - although better than Friday's 10.38 per cent.

Three-month bills opened at 8.69 per cent and barely moved during the morning, with the six-month bills following a similar pattern to show a discount of 8.86 per cent. The benchmark long bond opened a shade lower at 10 1/4%, and then also remained inactive, showing a yield of 11.44 per cent.

EUROPE

Backdrop of budgetary adjustments

TERMS OF 1984 national budgets being set by the Italian, Belgian and Swiss governments overshadowed trading in those countries yesterday while centres elsewhere produced a mixed to lower showing, largely failing to respond to the stimulus of a weaker U.S. dollar.

Light Milan selling was absorbed with difficulty as a rethink on the tough measures proposed on Friday to curb Italy's budget deficit led to less comfort being drawn from the absence of a feared wealth tax and more emphasis being put on items such as the L4,500bn (\$2.8bn) on the way in corporate tax increases.

Among the industrial leaders badly affected were Fiat, off L44 to L3,030; Snia Viscosa, L15 down at L1,145; Olivetti, L61 weaker at L3,289; and Italcementi, which at L46,900 was L700 lower.

Banks stood up well, but insurers showed Generale off L975 at L144,000 while RAS shed L875 to L147,100.

Tax-exempt government securities were firm and more actively traded than either stocks or corporate bonds.

An easier Zurich opening - which came in tandem with a wider budget deficit planned for next year, at SwFr 1.16bn (\$547m) against the SwFr 971m foreseen for this year - was later offset by a better world interest rate outlook, and the result on the day was firm.

Industrials were still prone to weakness, however, and Aluuisse dipped SwFr 17 to SwFr 740 as base metal prices followed gold lower.

A sharp dividend cut by Adia, the employment agency which has been among the most active and volatile of secondary Swiss issues, this time had been discounted in advance and it firmed SwFr 10 to SwFr 1,430.

Domestic bonds continued higher but in slower volume attributed mainly to a lack of material on offer.

LONDON

Focus on foreign features

RENEWED weakness in South African gold shares and Hong Kong securities yesterday featured London stock markets on the first day of a new account. Clearing bank base rate cuts of 1/4% to 9 per cent failed to enliven equities or gilts, but the FT 30-share index, down 1.7 at 10am closed up 1.1 at 703.7.

Gold shares plummeted further in the continued absence of support in sympathy with the sliding gold bullion price and the FT Gold Mines index, down 80.8 over the previous two weeks, dropped 39.7 to 541.6.

An accord within the ruling Belgian coalition last Friday on an austerity budget, which at the same time encourages a repatriation of capital, proved no immediate incentive in Brussels as the Belgian franc touched a new low against the D-Mark.

Dealers nonetheless expected an improvement both in prices and turnover in the next few days as the proposals came under scrutiny.

Limited Frankfurt gains were achieved on a selective basis, with analysts' forecasts for the new Siemens year bringing overseas interest and a DM 3.60 rise to DM 351.50, while Hoechst dividend hopes brought a DM 1.40 gain to DM 158.80. Linde was notable in a weak engineering sector with a DM 9.50 slide to DM 379.

Dresdner Bank held at DM 172 on its plans to offer \$400m in floating rate notes with share warrants. Public sector bond prices gained up to a quarter-point, allowing the Bundesbank to sell DM 27m in paper.

Dutch internationals were the weakest in Amsterdam, where oil pricing uncertainties pulled Royal Dutch FI 2.50 lower at FI 133.30. Of the banks ABN slipped FI 4.50 to FI 365.50, while government bonds showed a firmer bias.

An active but narrowly mixed Paris showed Roussel-Uclaf FFR 9 off at FFR 339 and Bancaire FFR 11 ahead at FFR 342. Creusot Loire was suspended at FFR 61.50 ahead of a pending reshuffle.

Dwindling Stockholm volume left prices easier, with Astra SKr 25 down at SKr 640 and Skandia off SKr 10 at SKr 315, while in Oslo Norsk Data shed Nkr 12.50 to Nkr 242.50.

TOKYO

Wariness proves the watchword

THE BULLISH tone of last week was still evident in Tokyo yesterday morning, but share prices eased off later as investors became wary of the high prices, writes Shigeo Nishizaki of Jiji Press.

Soon after the opening, the Nikkei-Dow market indicator stood 24.09 up on Saturday's session, when it had closed at a new high of 9,448.32. However, if finished the day only 3.78 higher at 9,450.10, still another all-time high.

Volume shrank from 312.37m shares to 286.09m, however, and a total of 293 share losses offset the 328 gains, indicating that the market is losing some impetus. A total of 159 shares remained unchanged.

The issue most heavily traded was Mitsubishi Heavy Industries (MHI) with 31.27m shares, followed by Nihon Nossan

Kogyo with 16.81m and Sato Kogyo with 8.79m.

Amid the dollar's drop to the Y233 level at one point, investors sought oil stocks in the morning. But these issues shed their gains later as the U.S. currency strengthened.

Nippon Oil, which had been in investor favour since early last week, temporarily gained Y10 over Saturday's level, but closed Y30 lower at Y1,230. Toa Nenryo also finished Y30 lower at Y1,260 after a Y20 rise.

By and large, blue chips eased off with the exception of NEC and Toyota, which advanced Y10 each to Y1,410 and Y1,260 respectively. Fuji Photo dropped Y20 to Y2,350, Hitachi Y2 to Y895, Matsushita Electric Industrial Y20 to Y1,700 and Sony Y40 to Y3,730.

In the afternoon a cautious mood prevailed, pushing prices down in general. However, MHI advanced Y10 to Y270 on expectation of recovery in its business.

Bond prices firmed, but leading securities houses said the market was acquiring an increasingly strong tinge of speculation.

Selling by city, regional and trust banks continued, but city banks also placed buy orders, with yields fluctuating rapidly in line with the moves of the yen-dollar exchange rate. The yield on 7.5 per cent government bonds maturing in January 1993 declined from 7.69 per cent at the weekend to 7.66 per cent.

Leading brokerage houses said city banks and institutional investors had rapidly alternated between buying and selling in order to reap what small profits were achievable.

HONG KONG

CHARGES OF theft against two leading executives of the Carrian property group and a weaker Hong Kong dollar forced share prices lower in Hong Kong yesterday, leaving the Hang Seng index 43.32 lower at 715.01.

Renewed anxiety over the future of the colony soured sentiment further and saw Jardine Matheson drop HK\$1 to HK\$8.05 Swire Pacific "A" 70 cents off at HK\$11.30 and Hutchison Whampoa 20 cents weaker at HK\$8.50.

SINGAPORE

CAUTION turned to pessimism in Singapore yesterday as most stocks turned broadly lower on technical weakness, poor company results and nervous forecasts over trends for October. The Straits Times Industrial index closed 16.51 lower at 862.84.

Fan Electric was the most heavily traded stock ending 8 cents lower at S\$3.30.

SOUTH AFRICA

THE SLUMP in the bullion price forced gold shares sharply lower in Johannesburg with some losing up to 10 per cent of their value.

Heavyweight President Brand plunged R5 to R43.50 with Randfontein R12.50 weaker at R136. Platinums were caught in the fray while industrials were quietly lower.

AUSTRALIA

A LACK of demand in thin trading moved Melbourne prices easier yesterday. Metal minings and industrials were noticeably weaker and the All Ordinaries index closed 6.5 off at 711.5. The market holiday in Sydney was a further depressant to turnover and sentiment.

CANADA

THE resource-based Toronto was hard hit by gold's weakness, with base metal issues marked down accordingly and no switch into other areas identified.

Montreal showed similar widespread weakness

The most intriguing watch of the eighties is made of titanium.

Light in weight, silky to the touch, yet as hard as steel. It is made of titanium, a corrosion-resistant metal that made the grade in space experiments and is more at home on the moon than on earth. Its case is inlaid with 18 carat pink gold. The crown is screwed on and the sapphire crystal is treated against reflection. It is acid- and water-resistant. Available for ladies and gentlemen. Omega Seamaster Titane. Slightly out of this world.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

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Continued on Page 27

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NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued on Page 28

AMERICAN STOCK EXCHANGE CLOSING PRICES

CANADA				DENMARK				NETHERLANDS				AUSTRALIA				JAPAN (continued)			
(Closing Price)	Oct 3	Yr. %		Oct. 3	Price	+ or -		Oct. 5	Price	+ or -		Sept. 30	Price	+ or -		Oct. 3	Price	+ or -	
Stock																			
AMCA Int.	22 1/2	-		Aarhus Oils	495	-		AGD Holding	105 1/2	+1.0		ANZ Group	5.4	-0.8		Konishi Ind.	527	-	
Alinta	24	- 1/2		Adriaticbank	490	-1		Ahold	135 1/2	+0.5		Aust. Ausl. Ind.	1.03	+0.01		Kumagai	400	+13	
Anglo Sino	18 1/2	- 1/2		Ag. Bank	475	-		ABN	353 1/2	-0.5		Aust. Consol.	2.75	+0.04		Kyushu Denryoku	7,500	-	
Bank of Montreal	50 1/2	-		Ag. Bank	475	-		AMEV	82 1/2	-0.7		Aust. Consol.	2.45	-		Makino Mfgs.	1,150	-	
Bank of Nova Scotia	44 1/2	-		Ag. Bank	475	-		AMEV	82 1/2	-0.7		Aust. Nat. Ind.	2.45	-		Makino Mfgs.	1,150	-	
Bank of Toronto	31	-		Ag. Bank	475	-		AMEV	82 1/2	-0.7		Aust. Paper	2.45	-		Makino Mfgs.	1,150	-	
Bank of Victoria	31 1/2	-		Ag. Bank	475	-		AMEV	82 1/2	-0.7		Aust. Paper	2.45	-		Makino Mfgs.	1,150	-	
Bank of Western Canada	31 1/2	-		Ag. Bank	475	-		AMEV	82 1/2	-0.7		Aust. Paper	2.45	-		Makino Mfgs.	1,150	-	
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Steep falls in Golds and Hong Kong shares feature

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LONDON TRADED OPTIONS

Option	CALLS			PUTS		
	Oct.	Jan.	Apr.	Oct.	Jan.	Apr.
Brit. Petroleum ("484)	76	94	—	1 1/2	5	—
390	46	58	58	—	4	9
420	36	46	46	5	18	18
480	3	16	84	30	35	48
Cons. Goldfields ("532)	—	—	—	—	—	—
500	47	68	—	6	18	—
550	30	17	55	37	45	54
600	18	19	—	—	—	59
650	1 1/2	7	14	127	122	127
Courtaulds ("96)	76	—	—	—	—	—
78	34	39	—	0 1/2	2	—
80	14	—	—	—	—	—
86	6	10 1/2	—	3	6	—
96	—	—	28	7	12	15
100	1 1/2	4 1/2	—	1	15	19
110	—	—	—	—	—	—
Commercial Union ("167)	—	—	—	1 1/2	—	—
120	58	—	—	—	—	—
140	38	31	94	1 1/2	4	6
160	10	16	15	5	9	15
180	2	—	—	20	25	26
G.E.C. ("191)	—	—	—	—	—	—
180	16	26	32	2 1/2	8	10
200	5	14	20	1 1/2	18	20
220	13	6	30	32	—	—
240	1	3	7	50	50	50
260	0 1/2	2	—	—	—	—
Grand Met. ("325)	87	37	45	2	7	10
300	7	19	25	11	16	22
320	1 1/2	6	11	27	59	41
340	—	2 1/2	6	67	66	69
I.C.I. ("850)	124	146	—	1	5	—
180	94	106	—	1	4	—
460	54	68	76	2	9	14
500	4	12	40	12	26	34
540	4	14	23	58	60	68
Land Securities ("810)	30	31	26	43	1	7
140	14	1	84	21	2	4
350	1	84	14	22	28	33
Markis & Spencer ("206)	19	55	48	1	3	4
180	2	8	14	17	20	22
220	2	8	14	17	20	22
Shell Transport ("598)	118	—	1	1	—	—
500	102	70	2	1 1/2	5	—
650	56	70	78	2	6	12
800	16	39	40	14	20	20
850	2	14	20	54	58	64

Option	CALLS				PUTS			
	Nov.	Feb.	May	Nov.	Feb.	May	Nov.	May
Barclays Bank ("447)	40	—	—	6	—	—	—	—
420	—	—	—	—	—	—	—	—

Option	CALLS			PUTS		
	Nov.	Feb.	May	Nov.	Feb.	May
Imperial Group ("135)	15	19	21	1	3	6
110	7	12	14	5	8	11
120	2	6	—	11	15	—
LASMO ("595)	87	43	58	15	85	28
330	12	30	42	35	40	45
360	3	15	17	63	72	77
390	5	6	17	90	93	98
Lonrho ("103)	15	18	—	1	2 1/2	—
100	612	9	11	3	7	10
110	1 1/2	5 1/2	6 1/2	10	18	16
P. & O. ("527)	49	56	—	1	2	—
230	30	87	45	8	3	4
260	3	9	16	30	32	34
290	5	11	18	18	20	22
Racal ("210)	16	23	33	7	11	15
180	—	—	14	—	—	—
220	—	14	22	—	24	26
240	3	9	16	30	32	34
250	2	5	10	50	50	50
R.T.Z. ("584)	47	70	—	11	28	—
300	80	20	—	11	28	—
600	18	37	50	32	62	70
650	5	18	80	77	92	97
700	1	7	17	187	155	127
Vaal Reef ("2105)	4 1/2	11 1/2	—	10	15	—
110	2	7 1/2	10 1/2	15 1/2	21	24
120	1	4	7	25 1/2	30 1/2	34 1/2
140	1 1/2	2 1/2	5	35	36	37 1/2

Option	CALLS			PUTS		
	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.
Becham ("513)	32	40	45	12	15	22
230	16	23	28	23	30	40
355	8	12	—	48	50	—
385	4	7	—	76	78	—
Bass ("330)	42	50	62	4	20	13
300	21	32	42	14	20	26
350	—	—	—	—	—	—
De Beers ("605)	34	68	80	62	75	90
800	15	40	68	100	125	150
850	30	20	20	100	120	20
Guest Keen ("147)	—	87	31	—	11	15
178	9	—	—	12	21	—
180	—	18	16	—	24	—
200	2	6	—	32	34	—
Hanson ("218)	20	27	34	41	8	7
220	14	24	30	13	18	11
Teaco ("155)	160	15	22	28	6	9
180	6 1/2	11	13	16	18	22

OIL AND GAS—Continued

"Recent Issues" and "Rights" Page 31
service is available to every Company dealt in on Stock
Exchanges throughout the United Kingdom for a fee of £700
per annum for each security

Authorised Units—continued

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Offshore and Overseas—continued

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For other Offshore and Overseas Funds see	
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OFFSHORE AND OVERSEAS

[illegible]

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and sterling weak

The dollar and sterling weakened at the start of London foreign exchange trading yesterday, but while the dollar then remained fairly steady for the rest of the day, the pound lost further ground on the announcement of a cut in Bank of England money market dealing rates followed by a reduction in clearing bank base rates.

Expectations of lower interest rates were also behind the dollar's softer tone, despite an unexpectedly large rise of \$2.3bn in U.S. M1 money supply on Friday, and the high level of Federal funds before the weekend, because of end of quarter pressures. On the other hand, a fall of 0.1 per cent in leading economic indicators, against expectations of a 0.8 per cent rise, suggested that there is little fear of overheating in the U.S. economy at present.

DOLLAR — Trade-weighted index fell 0.2 per cent to 122.7 against 123.7 six months ago. The dollar has retreated from the peaks touched in August, amid growing hopes that the Federal Reserve will ease monetary policy in the coming weeks. Several weeks of good U.S. M1 money supply figures, an easing of the Federal Reserve monetary policy leading to lower U.S. interest rates, has been anticipated for some time, but previous disappointments will encourage some caution.

The dollar fell to DM 2.6190 from DM 2.6310 against the D-mark, to FFf 7.9675 from FFf 7.9825 against the French franc, to SwFr 2.1090 from SwFr 2.1205 in terms of the Swiss franc, and to ¥233.75 from ¥235.00 against the Japanese yen.

STERLING — Trading range against the dollar in 1983 is 1.6345 to 1.4540. September average 1.4901. Trade-weighted index 82.9, against 83.2 at noon, 83.5 in the morning, 83.8 at the previous close, and 79.5 six months ago. The pound has tended to weaken recently, although the decline against the D-mark has been at its lowest level against the dollar for nearly 10 years, reflecting the large differential between U.S. and German interest rates.

The pound opened at \$1.4935-1.4945, and touched a peak of \$1.4946-1.4950. It fell to a low of \$1.4815-1.4825 after the announcement of the base rate cut, and closed at \$1.4835-1.4845, a fall of 1.30 cents on the day. Sterling also fell to DM 3.58 from DM 3.59; FFf 7.132 from FFf 7.1365; SwFr 1.1335 from SwFr 1.1375; and ¥247 from ¥253.

D-MARK — Trading range against the dollar in 1983 is 2.3315 to 2.3320. September average 2.3853. Trade-weighted index 126.3 against 131.1 six months ago. Until the recent easing of U.S. M1 money supply, the D-mark has been at its lowest level against the dollar for nearly 10 years, reflecting the large differential between U.S. and German interest rates.

However, there now appears to be a gradual shift in emphasis towards economic fundamentals with the D-mark looking increasingly attractive on this basis. The dollar was fixed lower at yesterday's fixing in Frankfurt at DM 2.6215, down from DM 2.6301 on Friday. There were no new factors in the market but dealers expressed surprise that the dollar has not reacted to a rise in the latest U.S. M1 money supply.

FRANCE — Trading range against the dollar in 1983 is 8.22 to 8.6000. September average 8.0571. Trade-weighted index 67.8 against 71.1 six months ago. The French franc has weakened a little within the EMS just recently reflecting a renewed upward trend by the D-mark. It is still comfortably above the D-mark and remains close to its upper limit against the D-mark. A sharp appreciation by the D-mark could provide fresh strains, however.

The French franc improved against the dollar at yesterday's fixing in Paris. The dollar slipped to FFf 7.9675 from FFf 8.0080 while sterling was lower at FFf 11.875 from FFf 11.9610. Within the EMS the Belgian franc recovered to FFf 14.95 per Bfr 100 from FFf 14.97 and the D-mark was higher at FFf 3.0410 from FFf 3.0346.

FINANCIAL FUTURES

Mixed trading

Prices showed little overall change in the London International Financial Futures Exchange yesterday. Euro-dollar prices opened lower on profit-taking but gained support after the opening of U.S. markets to a little higher level on the day. The market appeared to accommodate a \$2.3bn rise in U.S. M1 money supply on Friday and a firm Federal funds rate with the latter discounted as a reflection of end-of-quarter pressures. There was little incentive gained from a virtually static cash market and trading was also inhibited ahead of this week's meeting of the Federal Open Market Committee. The December Euro-dollar price opened at 90.45, up from 90.35, but soon dipped to a low of 90.32 before finishing at 90.35.

Short sterling prices were a little lower despite the cut in Bank of England dealing rates and a half point cut in clearing bank base rates to 9 per cent. Both of these had been discounted to a large extent with the December price touching a best level of 90.90 before coming to 90.75 after an opening level of 90.77 and Friday's close of 90.75.

Early trading in the gilt sector saw prices lose ground on sterling's weaker performance but the market soon lost direction. There was some buying after the cut in base rates but there appeared to be a certain lack of conviction. A dip below the 107 level seemed to attract fresh support and the December price finished at 107.105 up from a low of 106.54 but down from an opening level of 107.06 which was also Friday's close.

LONDON

THREE-MONTH EURO-DOLLAR
\$1m points of 100%
Dec 90.35 High 90.35 Low 90.35
March 90.41 High 90.41 Low 90.41
June 90.47 High 90.47 Low 90.47
Sept 90.53 High 90.53 Low 90.53
Dec 90.59 High 90.59 Low 90.59
March 90.65 High 90.65 Low 90.65
June 90.71 High 90.71 Low 90.71
Sept 90.77 High 90.77 Low 90.77
Dec 90.83 High 90.83 Low 90.83
March 90.89 High 90.89 Low 90.89
June 90.95 High 90.95 Low 90.95
Sept 91.01 High 91.01 Low 91.01
Dec 91.07 High 91.07 Low 91.07
March 91.13 High 91.13 Low 91.13
June 91.19 High 91.19 Low 91.19
Sept 91.25 High 91.25 Low 91.25
Dec 91.31 High 91.31 Low 91.31
March 91.37 High 91.37 Low 91.37
June 91.43 High 91.43 Low 91.43
Sept 91.49 High 91.49 Low 91.49
Dec 91.55 High 91.55 Low 91.55
March 91.61 High 91.61 Low 91.61
June 91.67 High 91.67 Low 91.67
Sept 91.73 High 91.73 Low 91.73
Dec 91.79 High 91.79 Low 91.79
March 91.85 High 91.85 Low 91.85
June 91.91 High 91.91 Low 91.91
Sept 91.97 High 91.97 Low 91.97
Dec 92.03 High 92.03 Low 92.03
March 92.09 High 92.09 Low 92.09
June 92.15 High 92.15 Low 92.15
Sept 92.21 High 92.21 Low 92.21
Dec 92.27 High 92.27 Low 92.27
March 92.33 High 92.33 Low 92.33
June 92.39 High 92.39 Low 92.39
Sept 92.45 High 92.45 Low 92.45
Dec 92.51 High 92.51 Low 92.51
March 92.57 High 92.57 Low 92.57
June 92.63 High 92.63 Low 92.63
Sept 92.69 High 92.69 Low 92.69
Dec 92.75 High 92.75 Low 92.75
March 92.81 High 92.81 Low 92.81
June 92.87 High 92.87 Low 92.87
Sept 92.93 High 92.93 Low 92.93
Dec 92.99 High 92.99 Low 92.99
March 93.05 High 93.05 Low 93.05
June 93.11 High 93.11 Low 93.11
Sept 93.17 High 93.17 Low 93.17
Dec 93.23 High 93.23 Low 93.23
March 93.29 High 93.29 Low 93.29
June 93.35 High 93.35 Low 93.35
Sept 93.41 High 93.41 Low 93.41
Dec 93.47 High 93.47 Low 93.47
March 93.53 High 93.53 Low 93.53
June 93.59 High 93.59 Low 93.59
Sept 93.65 High 93.65 Low 93.65
Dec 93.71 High 93.71 Low 93.71
March 93.77 High 93.77 Low 93.77
June 93.83 High 93.83 Low 93.83
Sept 93.89 High 93.89 Low 93.89
Dec 93.95 High 93.95 Low 93.95
March 94.01 High 94.01 Low 94.01
June 94.07 High 94.07 Low 94.07
Sept 94.13 High 94.13 Low 94.13
Dec 94.19 High 94.19 Low 94.19
March 94.25 High 94.25 Low 94.25
June 94.31 High 94.31 Low 94.31
Sept 94.37 High 94.37 Low 94.37
Dec 94.43 High 94.43 Low 94.43
March 94.49 High 94.49 Low 94.49
June 94.55 High 94.55 Low 94.55
Sept 94.61 High 94.61 Low 94.61
Dec 94.67 High 94.67 Low 94.67
March 94.73 High 94.73 Low 94.73
June 94.79 High 94.79 Low 94.79
Sept 94.85 High 94.85 Low 94.85
Dec 94.91 High 94.91 Low 94.91
March 94.97 High 94.97 Low 94.97
June 95.03 High 95.03 Low 95.03
Sept 95.09 High 95.09 Low 95.09
Dec 95.15 High 95.15 Low 95.15
March 95.21 High 95.21 Low 95.21
June 95.27 High 95.27 Low 95.27
Sept 95.33 High 95.33 Low 95.33
Dec 95.39 High 95.39 Low 95.39
March 95.45 High 95.45 Low 95.45
June 95.51 High 95.51 Low 95.51
Sept 95.57 High 95.57 Low 95.57
Dec 95.63 High 95.63 Low 95.63
March 95.69 High 95.69 Low 95.69
June 95.75 High 95.75 Low 95.75
Sept 95.81 High 95.81 Low 95.81
Dec 95.87 High 95.87 Low 95.87
March 95.93 High 95.93 Low 95.93
June 95.99 High 95.99 Low 95.99
Sept 96.05 High 96.05 Low 96.05
Dec 96.11 High 96.11 Low 96.11
March 96.17 High 96.17 Low 96.17
June 96.23 High 96.23 Low 96.23
Sept 96.29 High 96.29 Low 96.29
Dec 96.35 High 96.35 Low 96.35
March 96.41 High 96.41 Low 96.41
June 96.47 High 96.47 Low 96.47
Sept 96.53 High 96.53 Low 96.53
Dec 96.59 High 96.59 Low 96.59
March 96.65 High 96.65 Low 96.65
June 96.71 High 96.71 Low 96.71
Sept 96.77 High 96.77 Low 96.77
Dec 96.83 High 96.83 Low 96.83
March 96.89 High 96.89 Low 96.89
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Sept 97.01 High 97.01 Low 97.01
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June 97.19 High 97.19 Low 97.19
Sept 97.25 High 97.25 Low 97.25
Dec 97.31 High 97.31 Low 97.31
March 97.37 High 97.37 Low 97.37
June 97.43 High 97.43 Low 97.43
Sept 97.49 High 97.49 Low 97.49
Dec 97.55 High 97.55 Low 97.55
March 97.61 High 97.61 Low 97.61
June 97.67 High 97.67 Low 97.67
Sept 97.73 High 97.73 Low 97.73
Dec 97.79 High 97.79 Low 97.79
March 97.85 High 97.85 Low 97.85
June 97.91 High 97.91 Low 97.91
Sept 97.97 High 97.97 Low 97.97
Dec 98.03 High 98.03 Low 98.03
March 98.09 High 98.09 Low 98.09
June 98.15 High 98.15 Low 98.15
Sept 98.21 High 98.21 Low 98.21
Dec 98.27 High 98.27 Low 98.27
March 98.33 High 98.33 Low 98.33
June 98.39 High 98.39 Low 98.39
Sept 98.45 High 98.45 Low 98.45
Dec 98.51 High 98.51 Low 98.51
March 98.57 High 98.57 Low 98.57
June 98.63 High 98.63 Low 98.63
Sept 98.69 High 98.69 Low 98.69
Dec 98.75 High 98.75 Low 98.75
March 98.81 High 98.81 Low 98.81
June 98.87 High 98.87 Low 98.87
Sept 98.93 High 98.93 Low 98.93
Dec 98.99 High 98.99 Low 98.99
March 99.05 High 99.05 Low 99.05
June 99.11 High 99.11 Low 99.11
Sept 99.17 High 99.17 Low 99.17
Dec 99.23 High 99.23 Low 99.23
March 99.29 High 99.29 Low 99.29
June 99.35 High 99.35 Low 99.35
Sept 99.41 High 99.41 Low 99.41
Dec 99.47 High 99.47 Low 99.47
March 99.53 High 99.53 Low 99.53
June 99.59 High 99.59 Low 99.59
Sept 99.65 High 99.65 Low 99.65
Dec 99.71 High 99.71 Low 99.71
March 99.77 High 99.77 Low 99.77
June 99.83 High 99.83 Low 99.83
Sept 99.89 High 99.89 Low 99.89
Dec 99.95 High 99.95 Low 99.95
March 100.01 High 100.01 Low 100.01
June 100.07 High 100.07 Low 100.07
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Dec 100.19 High 100.19 Low 100.19
March 100.25 High 100.25 Low 100.25
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Sept 100.37 High 100.37 Low 100.37
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Dec 100.91 High 100.91 Low 100.91
March 100.97 High 100.97 Low 100.97
June 101.03 High 101.03 Low 101.03
Sept 101.09 High 101.09 Low 101.09
Dec 101.15 High 101.15 Low 101.15
March 101.21 High 101.21 Low 101.21
June 101.27 High 101.27 Low 101.27
Sept 101.33 High 101.33 Low 101.33
Dec 101.39 High 101.39 Low 101.39
March 101.45 High 101.45 Low 101.45
June 101.51 High 101.51 Low 101.51
Sept 101.57 High 101.57 Low 101.57
Dec 101.63 High 101.63 Low 101.63
March 101.69 High 101.69 Low 101.69
June 101.75 High 101.75 Low 101.75
Sept 101.81 High 101.81 Low 101.81
Dec 101.87 High 101.87 Low 101.87
March 101.93 High 101.93 Low 101.93
June 101.99 High 101.99 Low 101.99
Sept 102.05 High 102.05 Low 102.05
Dec 102.11 High 102.11 Low 102.11
March 102.17 High 102.17 Low 102.17
June 102.23 High 102.23 Low 102.23
Sept 102.29 High 102.29 Low 102.29
Dec 102.35 High 102.35 Low 102.35
March 102.41 High 102.41 Low 102.41
June 102.47 High 102.47 Low 102.47
Sept 102.53 High 102.53 Low 102.53
Dec 102.59 High 102.59 Low 102.59
March 102.65 High 102.65 Low 102.65
June 102.71 High 102.71 Low 102.71
Sept 102.77 High 102.77 Low 102.77
Dec 102.83 High 102.83 Low 102.83
March 102.89 High 102.89 Low 102.89
June 102.95 High 102.95 Low 102.95
Sept 103.01 High 103.01 Low 103.01
Dec 103.07 High 103.07 Low 103.07
March 103.13 High 103.13 Low 103.13
June 103.19 High 103.19 Low 103.19
Sept 103.25 High 103.25 Low 103.25
Dec 103.31 High 103.31 Low 103.31
March 103.37 High 103.37 Low 103.37
June 103.43 High 103.43 Low 103.43
Sept 103.49 High 103.49 Low 103.49
Dec 103.55 High 103.55 Low 103.55
March 103.61 High 103.61 Low 103.61
June 103.67 High 103.67 Low 103.67
Sept 103.73 High 103.73 Low 103.73
Dec 103.79 High 103.79 Low 103.79
March 103.85 High 103.85 Low 103.85
June 103.91 High 103.91 Low 103.91
Sept 103.97 High 103.97 Low 103.97
Dec 104.03 High 104.03 Low 104.03
March 104.09 High 104.09 Low 104.09
June 104.15 High 104.15 Low 104.15
Sept 104.21 High 104.21 Low 104.21
Dec 104.27 High 104.27 Low 104.27
March 104.33 High 104.33 Low 104.33
June 104.39 High 104.39 Low 104.39
Sept 104.45 High 104.45 Low 104.45
Dec 104.51 High 104.51 Low 104.51
March 104.57 High 104.57 Low 104.57
June 104.63 High 104.63 Low 104.63
Sept 104.69 High 104.69 Low 104.69
Dec 104.75 High 104.75 Low 104.75
March 104.81 High 104.81 Low 104.81
June 104.87 High 104.87 Low 104.87
Sept 104.93 High 104.93 Low 104.93
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FINANCIAL TIMES SURVEY

EGYPT

Mr Mubarak's sober presidential style has drawn international respect but his caution is holding back progress on the structural changes needed to improve the economy

Many economic challenges ahead

CONSISTENCY, CONTINUITY and caution are the three most obvious characteristics with which Hosni Mubarak has stamped his two-year presidency of Egypt. The nation around which war and peace in the Middle East revolved for 30 years has been led gently to the sidelines of Arab politics without apparent pangs of withdrawal or bouts of introspection.

The stormy excitements, both domestic and foreign provided by Gamal Abdel Nasser and Anwar Sadat, have given way to a calm that seems to have been welcomed by the populace but which may also be deceptively dangerous for a nation facing such deep-seated economic challenges.

Mr Mubarak's character matched the needs of Egypt after the assassination of Mr Sadat. Quiet, relatively unassuming yet firm, he made the transition to power with scarcely a false step. The assurances in Egyptian society which had been opened up by an increasingly despairing Mr Sadat in his final months were substantially closed.

Political detainees were released and their hands shaken by the new leader. The killers and plotters who cut down President Sadat were tried, executed or jailed. There was no witch-hunt among the armed forces or military intelligence for their failures on October 6, 1981. No coteries of Mubarak men appeared to take plum jobs. Most government ministers stayed in their posts. In short, no one was made to

By Roger Matthews
Middle East Editor

feel threatened, no important self-interests were put at stake. Equally, no one particularly sought to make life difficult for the new President. Among those who derived considerable political influence or financial benefit under Mr Sadat, there was a mood of watchful caution: to see whether the Vice-President of six years' standing would be the same political animal when he gained full powers. So far those people must be greatly reassured, as should be Mr Mubarak's inherited partners on the international stage, particularly the United States and Israel.

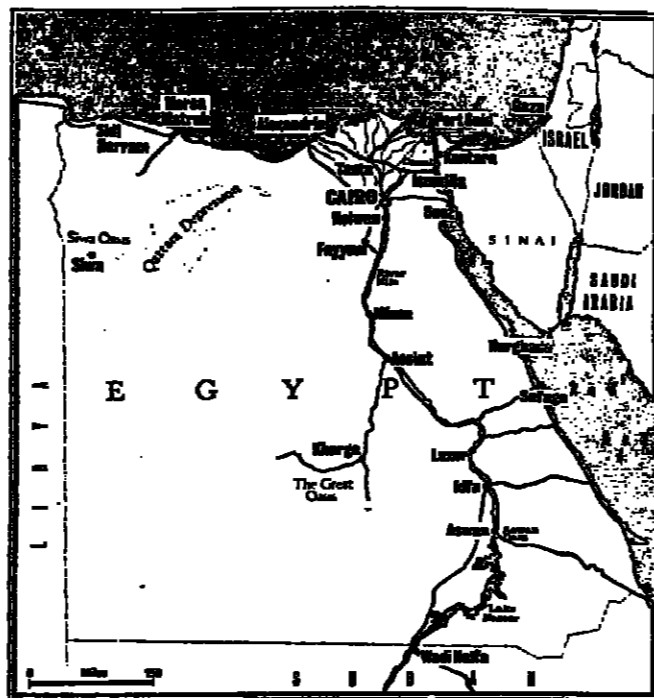
There has been an immense change in the style of Egypt's leadership, but the content has not varied greatly. Foreign policy has followed the direction set by Mr Sadat yet its failures are not the problem they would have been had he lived.

Although Mr Mubarak lived through the Sadat era for a comprehensive Middle East peace, it was not his policy. To watch Israel occupy southern Lebanon and tighten its grip on the West Bank and Gaza is not a daily reminder of sabotaged ambitions. Instead there is almost a sense of relief in presidential circles that these are not Egypt's immediate concerns.

The analysis of Middle East problems in the Foreign Ministry is still acute, the desire among some officials to be intimately involved still strong, but overlaying that is the knowledge that the political will for individual Egyptian initiatives is lacking.

While Egypt will listen to Arab emissaries and respond warily to genuine efforts to achieve bilateral improvements in relations, it will not seek to force itself back onto centre stage of the Arab world. Equally it will not promote any improvement in the quality of the peace treaty with Israel until the Government there takes actions which Egypt considers helpful to the cause of peace.

Mr Mubarak undoubtedly values Egypt's ties with the U.S. and the \$2bn a year and more received in grants, loans and military credits. But here, too, there are strict limits on the political level of co-operation.



BASIC STATISTICS

Area: 1.0m sq km
Population: 43.47m
GDP: (1982) E222.2bn
Per capita: E5106
Inflation rate: 13.5 per cent (February 1983)
TRADE
Exports: (1982) E22.15bn

Imports: (1982) E26.3bn
BALANCE OF PAYMENTS
Trade: (1981) U.S.\$3.5bn
Current account: (1981) U.S.\$2.1bn
Tourism income: U.S.\$1bn (1982 estimate)

The U.S. suggestion that it might assist in the building of a base on the Red Sea for the use of its Rapid Deployment Force was firmly rebuffed.

Egypt will build it eventually, and will retain full control over it. The RDF may use it, if Egypt believes U.S. military intervention in the region is required. Mr Sadat, say Egyptian officials, would have said the same.

Perhaps, looking through Cairo newspapers two years after Mr Sadat was killed, it is not surprising that such continuity can be so accurately claimed. Many of the prominent names are the same, both in government and in the favoured world of semi-official commerce.

The trial, imprisonment and subsequent release of Esmat Sadat, the late President's brother, on charges of corruption caused momentary flutters among those who became richer, fastest in the past few years. But the tip of the iceberg is still all that can be seen

publicly. Like the road to democracy in Egypt, the unearthing of ill-gotten gains could, once embarked upon, develop undesirable dimensions.

Hence Mr Mubarak's caution. He would undoubtedly like public service to be an end in itself, as it is for him. In the same way, he would welcome a responsive and responsible political pluralism which could assist in bringing home to the population his message that there are no miracle cures for Egypt's economic ills. However, he remains surrounded by men of even greater caution who believed they learned their lessons in democratic experiments during the Sadat years.

The opposition press has regained a degree of freedom scarcely found elsewhere in the Arab world, but the Government looks likely to set conditions for next year's elections to the National Assembly which will assure the ruling National Democratic Party of its continued dominance.

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Editorial production: Arthur Dawson, Design: Philip Hunt
Pictures: Terry Kirk

The old liberal nationalists of the Neo-Wafd Party have popped their heads up over the parapet again but almost certainly will not be given a chance to prove their boast that they would attract a mass following in any half-way fair election.

There are those, including former Sadat ministers, who believe that greater political involvement for the mass of Egyptians is the only way forward. But they suspect that, like Mr Mubarak's brains trust on economic reform last year, no amount of theoretical argument will dent the massive conservatism of the men closest to the Presidency.

However while they cling to the status quo, Egypt cannot. Mr Mubarak has more than 2m more Egyptians to feed than when he took office and although the birth rate may have slowed slightly it will demand for many more years the annual creation of some 400,000 new jobs. Last year's revenues from the most assured of Egypt's foreign currency earners, the Suez Canal, were less than the amount needed to subsidise cheap food.

The steadily mounting cost of insulating the bulk of the population from world inflation places an immense strain on the balance of payments, which threatens to become greater as earnings from oil, the canal, tourism and remittances from workers abroad reach a plateau or begin to decline.

The need to shift from consumption to productive investment, particularly in export-orientated industries, is accepted and a few modest steps have been taken. "But it is not micro-economic but macro-political policies we need," says a former Minister. Egyptian industry is still dominated by the public sector and the

Egyptian Government is still nominally socialist. There is a desire to encourage the private sector further — without the excesses of the Sadat era — but not to allow it to take on a political identity that would be too much at odds with the rest of the state.

The more sober, detailed approach which President Mubarak has brought to Egypt's economic problems, and especially the ambitions of the Five-Year plan, have been praised by international agencies. The caveats, as ever, are that the reforms which have been undertaken are too modest to arrest the longer-term trends. However, with memories of the 1977 riots still fresh in government minds, so-called structural reforms remain synonymous with unacceptable political risks.

The extent to which popular support can be retained without actions entailing some degree of political risk is an issue which President Mubarak has not yet sought to address. Egypt's famed political humour centres on the President's perceived inertia, but it lacks the bitter cutting edge which it acquired during the last Sadat years.

President Mubarak has yet to gather true popular affection, but neither does he appear to have acquired the fanatical support of the extremist fringe. The attitude within the Armed Forces appears to mirror that of the general public and Mr Mubarak has not been rushed into the selection of a Vice-President, for which post Field Marshal Abd-hamim Abu Ghazala, the Defence Minister, would be the obvious candidate.

For a period earlier this year, the Field Marshal's frequent public appearances

and his willingness to speak on subjects not directly related to military matters, took on the hint of a political campaign. Although his enthusiasm appears to have been reined in somewhat in recent months, he is thought to be the driving force behind the Egyptian Army's ever greater involvement in activities outside normal military scope.

The peace-time army can now be found laying telephone lines in Cairo, running farms, purchasing egg-packing plants from Britain, selling off land for commercial enterprises and trading vigorously with countries in need of second-hand Soviet weaponry. Meanwhile, Field Marshal Abu Ghazala is to be found regularly in Washington demanding arms sales parity with Israel.

The precise role of the Egyptian armed forces in peace time is another of those unanswered questions which surround Mr Mubarak's presidency and prompt accusations that he has unwittingly created a vacuum of ideology. He frankly admits that he does not have solutions to all Egypt's problems and sometimes frightens aides by repeating that he did not ask for the vice-presidency—thereby implying, of course, that he did not seek the presidency either.

Only when the real challenges emerge, either domestically or from abroad, will it be known just how much Mr Mubarak wants to be President of Egypt. At that point consistency, continuity and caution e public sector and the Egyptia will have to be supplemented by characteristics which will decide whether Egypt is capable of producing three successive Presidents of world stature.

NATIONAL BANK OF EGYPT



N.B.E. is Egypt's oldest (established in June, 1898) and largest bank. It holds first place among the Egyptian banks on the list of top 500 international banks ranked according to: balance sheet total, realised surplus, and foreign trade financing.

The Bank undertakes all commercial banking services through 152 domestic branches, in addition to its London Branch which was re-opened on 9th December 1982, after an interval of 27 years, in the world's premier money market.

In June 1982 the Bank successfully launched in London a US\$40 million Floating Rate Serial Notes 1987 issue.

The Bank actively supports the economic "open door" policy through investments in projects approved under this policy. It thus has participations in 52 joint-ventures covering all fields of economic activity and capitalised at L.E.1,027 million, the Bank's Participation amounting to L.E.118 million.

THE FOLLOWING ARE NBE'S FINANCIAL HIGHLIGHTS:

Year ending	30th June, 1981	30th June, 1982
	(L.E. million)	
Total Assets/Liabilities	3,375	4,006
Deposits	2,161	2,364
Capital and Reserves	85	108
Loans, Advances & Bills Discounted	1,437	1,782

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The pipeline comprises two parallel lines, each 42 inches in diameter, with a total capacity of 80 million tons per year.

From the loading terminal at Ain Soukhna in the Gulf of Suez the pipe line extends in a north westerly direction to the Sidi Kerir terminal in the mediterranean, 27 kilometers west of Alexandria.

OWNERS: EGYPT 50% SAUDI ARABIA 15% KUWAIT 15%
ABU DHABI 15% QATAR 5%.



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EGYPT II

Progress slow on structural reforms

Economy
ROGER MATTHEWS

FOR THE PAST six years the Egyptian economy has performed consistently better than expectations. Since the payment crisis of early 1977, the strong domestic growth rate, already apparent at that time, has been underpinned by a rising trend in foreign currency earnings.

mind, any attempt at longer-term structural reform. Two years after Mr Sadat's death, the need still to tackle that issue remains the greatest qualification to optimism about the path of economic development.

The International Monetary Fund suggested last year that the challenge of structural reform could not be avoided for very much longer and predicted that the slowdown in foreign exchange earnings would make it impossible to maintain the average 8.9 per cent real growth rate achieved annually since 1975.

A combination of favourable trends in world commodity prices and a less steep fall than some had predicted in the price of oil, however, allowed Egypt just about to cover its current account deficit in 1982. At the same time, the pace of growth flattened somewhat. It has not made totally implausible the average target growth of just over 8 per cent as set out in the 1982-83/1986-87 Five-Year Plan.

The four main foreign currency earners all performed creditably over the past 12 months, although not matching the pace of increase in two years ago. Oil production, which accounts for over a fifth of GDP, reached close to an average of 700,000 barrels a day in 1982. The substantial of international demand reduced earnings to about \$2.4bn.

In the financial year beginning July 1, a further fall of about \$200m has been predicted, although, with prices again beginning to rise, the fall might be somewhat smaller. Of greater concern to the authorities is the still alarming upward trend in domestic consumption.

Low petrol price

In the absence of further significant discoveries, the extra-petroleum of present trends shows that domestic consumption will rise to the level of production early in the next decade, leaving Egypt without oil for export. Several other measures have been taken to modify this trend, but even after recent increases in the price of Egyptian petrol on the local market remains absurdly low by world standards. Certainly without more emphatic action the percentage annual rate of increase in domestic consumption will remain in double figures.

To balance the expected shortfall in oil revenues, Egyptian officials are predicting a stronger growth in remittances from abroad. A recent relaxation in Egypt's longstanding complex foreign exchange regu-

lations allowing for remittances to be converted at the more advantageous free market rate is reported to have led to a sharp increase in transfers.

Current estimates suggest that in a full year this may be worth as much as \$800m, leading to predictions that remittances could be worth close to \$3bn in the present financial year. Despite the immense difficulty of accurately charting these flows, officials say there is no evidence yet that they are being affected by the budget cut-backs in the main Gulf oil-producing countries where the majority of Egyptian expatriate workers are employed.

Canal earnings up

Suez Canal earnings are meanwhile edging slowly upwards towards the 1980 mark. They might just reach the 1980 figure by the end of the financial year despite the unfavourable trend in world trade and the very slow recovery in demand for oil.

Tourism appears to be on an earnings plateau at around \$700m a year and remains highly vulnerable to political developments in neighbouring states. The only other foreign earner of note is cotton which has stabilised at between \$300-\$350m a year.

The impact of the slower rate of growth in Egypt's foreign currency earnings on the overall balance of payments was assessed by a partial reduction in import growth. Whereas imports were being sucked in at an annual rate of increase of over 20 per cent in the three years before 1981, during last year they rose by only just over 6 per cent.

This was in part good fortune, due to lower world commodity prices, but it also reflected President Mubarak's decision to impose restrictions on the import of luxury consumer goods. However, such measures do little more than dent the longer term trend imposed by Egypt's fast growing population and the country's difficulty in providing anything like a matching increase in agricultural production.

Accordingly, Egypt will remain heavily dependent on continuing inflows of capital investment, loans and aid, to ensure a precarious balance in its overall payments situation. The current account deficit climbed by just over 12 per cent to \$2.4bn in the last financial year, with reserves standing at about \$700m.

The recent agreement with the U.S. for greater flexibility in the disbursement of economic assistance should speed up the flow of American aid being provided at the rate of about \$1.1bn a year. Disbursements of U.S.

TOTAL PRODUCTION FOR THE FIVE YEAR PLAN
(1982-83 AND 1986-87 COMPARED WITH 1981-82)

				(Constant prices of 1981-82 and in E£m)					
	Expected 1981-82	Planned 1982-83	Planned 1986-87	1981-82	1981-82	1981-82	1981-82	1981-82	1981-82
Agriculture	1,462.3	1,553.0	2,170.3	6.3	8.2	4.2	4.2	4.2	4.2
Industry and mining	5,465.5	5,610.1	6,433.2	2.8	3.2	16.0	15.2	15.2	15.2
Oil and oil products	9,494.0	10,285.9	14,940.2	2.3	2.5	27.7	27.6	27.6	27.6
Electricity	3,753.7	4,489.2	6,612.8	19.6	12.0	11.0	12.1	13.2	13.2
Construction	202.3	230.8	340.4	9.1	11.0	0.6	0.6	0.7	0.7
Total commodity sectors	21,975.5	22,937.5	31,496.8	5.5	5.4	61.6	63.0	63.0	63.0
Transport, storage and communication	1,462.3	1,553.0	2,170.3	6.3	8.2	4.2	4.2	4.2	4.2
Suez Canal	714.5	742.5	925.0	3.9	5.3	2.1	2.0	1.8	1.8
Commerce	4,167.0	4,421.0	5,750.0	6.2	6.7	12.2	12.0	11.5	11.5
Finance	1,128.0	1,180.0	1,560.0	4.0	4.7	3.3	3.3	3.1	3.1
Insurance	85.0	82.5	131.2	0.6	0.4	0.2	0.3	0.2	0.2
Hotels and restaurants	500.0	520.0	673.5	4.0	6.1	1.5	1.4	1.4	1.4
Total product services sectors	8,057.5	8,515.5	11,200.0	5.7	6.8	23.5	23.1	22.3	22.3
House property	356.3	440.8	594.2	11.2	8.5	1.2	1.2	1.2	1.2
Public utilities	66.0	73.0	125.0	10.6	13.1	0.2	0.2	0.2	0.2
Individual and social services	1,032.2	1,103.0	1,471.3	6.9	7.3	3.0	3.0	2.9	2.9
Social insurance	36.0	39.0	52.2	8.3	7.7	0.1	0.1	0.1	0.1
Government services	3,562.0	3,657.7	5,239.1	8.3	8.0	10.4	10.4	10.5	10.5
Total service sectors	5,092.5	5,513.5	7,481.0	6.3	6.0	14.9	14.9	14.9	14.9
Grand total	24,325.5	26,969.5	36,177.8	6.0	6.0	100.0	100.0	100.0	100.0

THE NILE BANK



In Egypt where the Nile River is the source of life you will find the Nile Bank to help and advise you whenever you do business. The Nile Bank offers you all perfect banking services.

* Authorised Capital: US\$20,000,000 fully subscribed by Egyptian individuals (paid up \$20,000,000) as at January, 1983

* The bank deals in foreign currencies as well as Egyptian pounds

BALANCE SHEET AS AT DECEMBER 31, 1982
(in Million Dollars)

	1981	1982
Total Assets and Total Liabilities	217.4	234.5
ASSETS		
Cash and deposits with banks	112.1	130.3
Loans and advances	89.2	82.5
Investment at cost	6.8	8.5
Bank premises at cost	6.4	6.8
LIABILITIES		
Deposits and current accounts for clients	127.6	142.8
Deposits and accounts due to banks	54.8	45.5
Total shareholders' equity	22.8	23.4

PROFIT AND LOSS ACCOUNT FOR THE YEAR
ENDED ON DECEMBER 31, 1982
(in Million Dollars)

	1981	1982
Total income	21.5	24.9
Total expenses	15.2	17.6
Total profit for distribution	6.3	7.3

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El Mohandesa Branch:	Arab League Street (Zamalek Sporting Club) Tel: 80482-809485
Souhag Branch:	3, El Gomhuria Street Tel: 24243
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Fanta Branch:	24 El Gish Street Aswan-Zagazig-Asiut-Damietta-Port Said- El Mena -15 New City, Helwan
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Capital U.S.\$23,000,000 (April 1983)

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	US\$ (in thousands)	1981	1982
Balance Sheet, Total	282,206	224,138	
Equity (Capital and Reserves)	22,794	10,396	
Customers' Deposits	147,873	139,596	
Loans and Advances	93,830	66,606	
Portfolio Investment	4,819	3,483	

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Efficiency is
the name
of the game

Investment

CHARLES RICHARDS

"BEFORE, THE rate for deciding on investment applications was one every 10 days. Now it is one a day." This according to Dr. Shady Shady, Minister of Investment and International Co-operation, is evidence of the shake-up in the investment authority since he took office last September.

"Efficiency is the name of the game," he says. Certainly Dr. Shady has made some sweeping changes. He has restructured the investment authority by reducing the workforce from 1,600 bureaucrats to 1,300, whom he drives hard. Most important, he has tried to speed the bureaucratic procedures faced by prospective investors.

Within weeks of taking office, he had taken four measures to enact a new law, No 159 of 1981, intended to give Egyptian investors similar benefits to those enjoyed by joint ventures set up under Egypt's foreign investment law No 43 of 1974 with amendments contained in Law 82 of 1977.

Under the procedures set up under Law 159, applicants will have to wait a maximum of 60 days for a decision. If they have not received an answer within that period, they may consider their application successful.

A similar procedure has been adopted for Law 43 companies. A special committee has been formed of senior officials from the Ministry of Industry, Telecommunications, Authority, Finance Ministry, Electricity Authority and other concerned agencies that meet once a week to discuss investment applications. It is hoped to take decisions on the spot and, on average, an application will be processed within four months. The system was approved too recently to see whether it will work but one major investment project has now finally been agreed on and is going ahead. This is the \$90m General

Motors plant to produce a range of light and medium trucks and buses.

The U.S. company has a 31 per cent stake and management control. Jeus, in which GM has a 34 per cent share, has 20 per cent. Egyptian interests 33 per cent and Arab interests 16 per cent.

The inauguration follows seven long years of negotiations that illustrate the difficulties faced by both sides in making investment decisions.

General Motors had bureaucratic holdups and procedural delays on the Egyptian side. GM itself is in part to blame because of the slowness of its own decision-making process aggravated, after final approval was given in April 1981, by the uncertainty over the political situation after the resignation of President Sadat that October.

GM's vacillation cost it its prime site at Tenth of Ramadan, the most developed of the new cities being built in the desert. Cairo City's plan will be in October 6 City, at present little more than a flat desert wilderness. Water and roads are installed; a sewerage system and telephones are promised. Other potential investors will be interested to see how quickly the promised infrastructure will be put in place.

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This battery-producing plant which opened last year at Giza near Cairo was a joint venture between Chloride of Britain and the Egyptian Government

President Mubarak has made frequent appeals to foreign businessmen to invest in Egypt. And he has told officials that all applications from public and private sectors and joint ventures should be treated on the same footing.

The investment authority is just one obstacle faced by potential investors. Many regard its title as a misnomer. "It is no authority," is the comment often heard. The authority is criticised for acting as a middleman, not an advocate able to take sides in inter-ministerial disputes.

Doubts have been expressed that when the 60-day limit lapses on decisions on a Law 159 company, the investor will indeed be able to go ahead as promised. It is the nature of the Egyptian bureaucratic system that a paper without a seal will remain just that. Automatic approval of any project is unheard of.

The investment authority has also been accused of not putting projects in order of priority. Applicants often complain that rather than raise queries

all together, the investment authority raises them one by one, increasing the bureaucratic delays. Officials in the Ministry of Industry counter that too often they receive application forms sent on by the investment authority that have been incorrectly or incompletely filled in.

Speeding up bureaucratic procedures, if successful, may well ease the way for investors. But this will not of itself create the investment. Investors have other considerations.

Political stability is no longer a prime concern, although political risk analysts from the main banks pay frequent visits to Cairo. More important are the customs, availability of foreign exchange for the import of raw materials and capital goods, and the policy of the Ministry of Industry that vets applications.

Stories are legion of the customs authority, seen as close to a state within the state and ignoring written instructions from the investment authority to allow in goods duty-free under Law 43. Law 43 companies are permitted to import

capital equipment and raw materials. The customs authority has been reported to have instructed businessmen to buy locally, even when the local product is an insufficient supply or of poor quality.

The Ministry of Industry is often depicted as manned exclusively by neo-Nazis opposed to all joint ventures with the public sector and foreign investment altogether. Officials there say they recognise that an investor is putting money into Egypt to make more, but they expect some transfer of technology in return for help in Egypt's social development.

Some businessmen report that the whole atmosphere created by the trial for corruption of Esmat el Sadat, brother of the late President, has slowed investment in Egypt. Ministers and senior officials strenuously deny that the anti-corruption campaign has affected honest business.

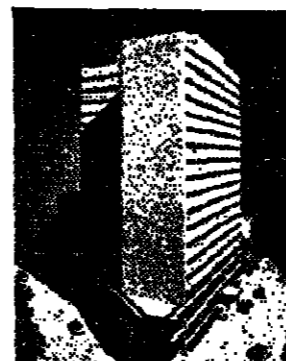
But in practice the uncertainty has created a reluctance to take decisions in certain areas, and some investors have been unwilling to take up their options on projects approved.



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Cash and Banks	307.6
Loans and Advances	155.7
Investments	29.8
Other Debit Balances	13.9
Fixed Assets (after depreciation)	6.5
Total Assets (before contingent liabilities)	513.5
Contingent accounts	246.8
Total	760.3
LIABILITIES	
Customers' current & deposit accounts	199.0
Due to Banks	220.1
Profits	12.2
Other credit balances and provisions	14.6
Total shareholders' equity	67.6
Total liabilities (before contingent liabilities)	513.5
Contingent accounts	246.8
Total	760.3

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EGYPT IV

Poised for next development phase

Suez Canal
DAVID LENNON



Control tower for the Canal at Suez

THE ELUSIVE target of \$1bn annual revenue from the Suez Canal will creep tantalisingly close this year. Last year income reached \$925m, and in the first third of 1983 daily income from dues was up 5.5 per cent. As a key foreign currency earner the Suez Canal is of major importance for Egypt, but setting transit fees is a delicate task which requires careful calculations if they are not to scare off the big ships.

Though it is unique, the Suez Canal is not without rival routes. With so much of the world's merchant fleet in surplus, it often can be more economical for big oil tankers to steam slowly back to the Middle East oil fields via the Cape route, thus avoiding Canal fees. Dr Mashhour Ahmad Mashhour, the long-serving chairman of the Suez Canal Authority, also admits that the SUMED pipeline developed as a Canal bypass when the Canal was closed after the 1967 war is another rival to his project. Additional competition comes from the trans-Siberia oil pipeline.

Larger ships

It was to counter these challenges and to enable the passage of ever larger ships that a two-phase plan to enlarge the Canal was drawn up. Phase one, completed in 1980, makes it possible for the Canal to take laden ships up to 150,000 tonnes instead of the previous 80,000 tonnes and ships in ballast of up to nearly 400,000 tonnes.

But the present state of the world shipping market and the oil glut has forced an indefinite postponement of phase two. This would enable the Canal to take laden vessels of up to 270,000 tonnes and ships in ballast of any existing size.

A very close watch is being kept on developments in shipping and oil to try to gauge the time when it would be justified to begin phase two, which

will take three to four years to complete at a cost of \$750m in current dollar terms.

Dr Mashhour estimates that by 1989-90 there will be a balance in supply and demand in shipping, and that with the world tanker fleets more fully mobilised the Canal would enjoy increased traffic. But given the ups and downs of the business, it will take considerable finesse to judge the right moment to begin this additional major investment.

The first canal was dug between the Mediterranean and the Red Sea in 2,100 BC by Pharaoh Senusert III. He, and even Ferdinand de Lesseps, the builder of the modern Canal, would have difficulty believing the massive development which has taken place.

The 173 km long lifeline between Asia and Europe now has 12 times more capacity than when it opened in 1869 to the strains of Verdi's Aida written specially for the occasion. Eight successive improvement schemes have increased the Canal's cross section from its present 3,600 square metres. Phase two of the modern plan, if implemented, would increase

the cross section to a massive 5,200 square metres.

This year the daily average net tonnage has passed the 1m mark to reach 1,02m, a 2.4 per cent increase over 1981. The daily average dues collected is up 5.5 per cent to \$2.7m.

The toll fees are studied each year and adjusted accordingly to a range of criteria. The fees were put up a median of two to 2.5 per cent this year, but in fact small ships paid 5 per cent more, while for ships above 150,000 tonnes the rate actually was reduced by as much as 1.2 per cent.

The aim of the sliding scale, according to Dr Farouk Abou Taleb of the SCA Economic Unit, is to try to attract more big tankers to use the Canal. At present 85 per cent of tonnage and 30 per cent of income comes from oil tankers, with 65 per cent of tonnage and 70 per cent of earnings coming from the cargo ships. Before the closure in 1967 the percentages were reversed.

Dr Abou Amar, Director of the Planning and Research Department, has a 110-metre long working model of the Canal in which his engineers are conducting tests to see

whether limited two-way traffic could be permitted on the traditionally one-way-only Canal.

The tank tests have shown that two ships of up to 10,000 tonnes could squeeze past each other without damaging the banks or their own hulls. This means that partial two-way traffic could be introduced in the next phase of development.

Radar system

Perhaps the most impressive new development at SCA headquarters in Ismailia is the computerised radar system for vessel traffic management. Here, on huge consoles, every movement of a ship is constantly in view through the entire length of the canal, and for 20 miles out to sea at either end.

This has not only halved the already slim chances of an accident but potentially could enable the Canal Authority to pack more ships into a convoy. It is needed because the constant monitoring of speed and distance would enable ships to sail closer to each other.

At present this is not necessary because, as Dr Mashhour explains, the Canal has excess capacity as a result of the phase

one expansion. The Canal could handle up to 72 ships per day while this year the number using it has reached only about 63 a day. This is also one of the reasons for holding off on building additional by-passes to bring the day of two-way traffic closer.

The Suez Canal is the third-largest source of foreign currency earnings for Egypt, but unlike oil and worker remittances, it appears to be less subject to the variations which have afflicted the big two. Income has risen steadily each year.

Western economic recession and the troubles of the oil world have restrained the rate of income growth below that forecast by somewhat over-optimistic planners. But the net tonnage passing through, which was up by 50 per cent between 1978 and 1982, continues to increase and, even more important, the canal has almost doubled its income over the same period.

With its 15,000 employees, all of whom are Egyptian, the Suez Canal Authority and the waterway in its charge is a model of what can be done in Egypt when the will is sufficiently strong.

Better omens for vital oil revenues

Energy
DAVID LENNON

A MODEST 25-50 cents a barrel increase in the price of Egyptian crude oil in May brought new hope that the downward trend in prices had halted, and that the forecast slide in national oil revenues could be reversed within a couple of years.

As one of the largest producers of external earnings, oil is vital for Egypt's economic survival and the country needs every cent it can get. But the fall in world prices, plus ever-growing domestic demand, has meant that the record exports of \$2.7bn in 1981-82 will not be reached this year or next.

Dr Ahmad Hilal, the Minister of Petroleum, admits ruefully that earnings in the fiscal year 1982-83 will be \$245m down on the previous year's figure. This year, which began on July 1, he says, is expected to be about \$500m down from the 1981-82 figure.

One bright spot is the continued interest of international companies in searching for oil. The Gulf of Suez remains the main reservoir of Egyptian oil, containing about 90 per cent of reserves. Exploration in the Western Desert and the Nile Delta has yet to produce any dramatic finds.

Reserves growing

None the less, reserves are growing as new discoveries of modest size are made each year. Dr Hilal says that annual additions to reserves are greater than production. On average 6 per cent of reserves is produced from Egyptian oil fields. Up to last year, he says, unexpected additions to reserves have averaged 11 to 12 per cent of total reserves.

Oil production rose from 8.5m tonnes ten years ago to a projected 96m in the fiscal year ended June 1983, according to Dr Hussein Abdallah, Senior Under-Secretary at the Ministry of Petroleum. The official target is 90m tonnes, or 1bn barrels a day by mid-1983, though some foreign experts doubt that this is attainable.

Egypt is also paying increasing attention to natural gas as a source of energy. It first came on stream in 1975 with a production level of 33,000 tonnes which today has increased tenfold with a target of 8m tonnes set for 1985.

In addition to the utilisation of natural gas produced in Abu Qir, Abu Qir and Abul-Gharadik gas fields, a gas project is under construction to

recover all of Gulf of Suez associated gas and to transmit it to the Suez and Cairo industrial and domestic consumers. A special law was passed last year providing incentives to foreign oil companies to explore for natural gas as well as oil.

The past decade has also seen a major intensification of the search for oil. Since 1973 112 exploration agreements have been signed with nearly 50 international oil companies, according to Mr Ibrahim A. F. Radwan, general manager of Petroleum agreements at the Egyptian General Petroleum Corporation. One of the most recent was with Esso which has committed itself to spending \$44m exploring a 51,700 sq km area in the Eastern Desert.

More bidders

Awards were to be made this month for bids on five tenders for Suez Gulf marine exploration. Despite the current problems of the oil industry, there have been more bidders and at higher prices than for any previous tender.

One of the latest fields to come on stream is Ras Budran which is operated by Deminor of West Germany on behalf of the Suez Oil Company (Succo), from which initial production of 25,000-30,000 b/d is expected to rise to 40,000 b/d at a later date.

But the new finds and the steady increase in production levels have not led to any marked increase in exports, which run at about 7m to 8m tonnes of crude oil annually. Israel remains the largest single customer, with three Israeli oil companies purchasing from 2m tonnes a year. The other exports are made in smaller quantities to some 25 international and national companies, according to Dr Abdallah.

Not being a member of Opec, Egypt is able to set its own prices, which it does monthly in response to the market movements. After four consecutive cuts between November and April the trend was reversed from May 1 when modest increases were introduced. The price of 33 API Suez blend was raised 25 cents to \$27.50 a barrel, that of the 28 API Beluim crude by 50 cents to \$25.75 per barrel. Egyptian officials now hope that the market is stabilising.

Export growth has been hampered by domestic demand which has been growing 13 per cent annually and takes 30 per cent of production. According to Mr Maher Abaza, Minister of Electricity and Energy, industry consumes about 65 per cent of local energy, homes 25 per cent

and agriculture 5 per cent with the remaining 5 per cent spread among other users.

The high level of consumption in Egypt is a result of government subsidy policies which keep the prices for fuels way below market prices. The subsidy costs the government \$2.7bn annually, which is the difference between the value of the products on the basis of local prices (\$900m) and their prospective export prices of \$3.8bn.

Because of government fears of public unrest, there is no likelihood of any serious cuts in the fuel subsidies in the near future. The low prices, about 80 per cent of the real value of the fuel, means that there is little incentive for either factories or the domestic user to conserve energy. The price of installing energy-saving devices in factories would not in most cases justify the saving achieved as long as the fuel remains cheap.

To prevent home consumption from eating up more and more of domestic oil production, the Government has announced an ambitious plan for moving away from oil for generating electricity. Today it is generated 60 per cent by thermal power, and 40 per cent by hydro power.

Nuclear eight

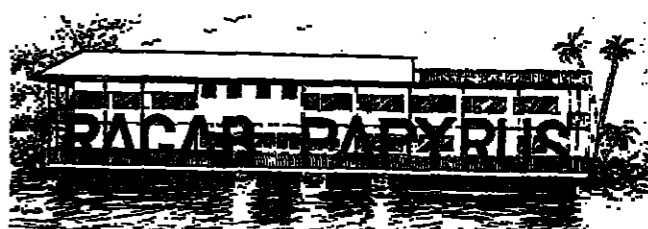
The country has plans to build eight nuclear power stations by the year 2000 when total projected demand for primary commercial energy is tentatively estimated at 65m tons of oil equivalent. This would be nearly 3½ times current consumption and is based on an annual average consumption growth of 7.5 per cent, which may be a somewhat optimistic figure, given the current 12 per cent growth.

The hope is that by the year 2000 some 38 per cent of electricity will be produced in eight nuclear plants with a total capacity of nearly 8,000 Mw. But the drop in oil revenues has meant that the hoped for funding from a special fund of monies set aside will not be as large as planned.

Even so, the Minister of Electricity and Energy says he is determined to press ahead with the plans for the first four stations at Al Daba, 160km west of Alexandria on the Mediterranean coast. Bids have been invited from companies in France, the U.S. and West Germany for two 1,000 MW plants and these are being studied along with the bids from French consortium for two 950 MW plants. Given the oil revenue problems that Egypt faces, the financing terms of these deals will be crucial.

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EGYPT V

Higher spending aims to keep armed forces happy

Defence

CHARLES RICHARDS

WHEN THE Finance Minister announced a 25 per cent increase in current expenditure in the 1983-84 draft budget for defence, he qualified his request by pointing to the positive contributions Egypt's peacetime armed forces are making to the country's development.

The Corps of Engineers and Signals build bridges, bakeries and drug factories, lay telephone cables and grow food. They also train civilians in construction skills.

The budget increase, from E£1,742m to E£2,133m is largely an accounting exercise. It pays the 320,000 men in the Army, 27,000 in the Air Force, 80,000 in the Navy, and 20,000 in the Air Force. It does not go towards weapons procurement or repayment of military debt.

The armed forces are reluctant to be seen as parasites feeding off the people's good-will. Hence the involvement in civil works. Laying telephone cables also earns contractors' fees for the Defence Ministry and teaches engineers skills. And the civilian labour force is often lacking the available manpower.

Criticism avoided

There is a danger, however, that as the Army makes mistakes, as is inevitable, it will become the focus of criticism it has successfully avoided by remaining apart from civil life.

At the same time the Government's legitimacy lies in its succession to the free officers who overthrew the monarchy in 1952. All Egypt's presidents, Nasser, Sadat and now Mubarak—have been military men. The military establishment has said it wants no part in politics, but the Government is aware it governs only with the backing of the armed forces.

To keep the armed forces happy, its commanders are receiving a whole range of sophisticated weaponry, and its personnel obtain special privileges to maintain a reasonable standard of living.

Egypt's programme to replace ageing Soviet and Eastern bloc weaponry is concentrated mainly on air defence, with the purchase of low and medium-range surface-to-air missile systems and interceptors, and for the Army main battle tanks, armoured personnel carriers, and heavy artillery.

Main suppliers are the United States, with a foreign military sales (FMS) aid programme that has risen to \$1,325m for 1983 including \$425m in forgiven credits (grant), a total of \$1,750m since 1979.

Since 1979, Egypt has received 35 Phantom F-4 E fighter bombers, over 20 of an order of 40 F-16 fighters, 310 M-60 A 3 battle tanks—459 ordered—and 1113 armoured personnel carriers and improved Hawk missile systems.

It has also signed a letter of agreement for two E-2C Hawkeye early warning and command control aircraft. The sophistication of these new weapons systems, and the difficulty in maintaining them, is already testing Egypt's maintenance crews used to simple weapons.

To avoid the arms embargo the Soviets placed on Egypt when it was sole supplier, Egypt is pursuing an active policy of diversifying the sources of its arms supplies.

France is the main supplier of aircraft and air defence missiles. The first Alphajet trainers with dual ground attack role have been delivered. The first to have been partially assembled in Egypt first flew in November. Egypt is also to buy 30 Mirage 2000s in a \$1bn deal, and has Gazelle surface-to-air missiles and Gazelle helicopters.

Canada has sold Buffalo short-haul transports to complement Hercules C-130s bought from the U.S. and Britain has sold Westland helicopters, fast patrol boats, and missiles. Spain has sold Pegasus trucks to the Army, but another deal to sell ships from the Bazan yards is reported to have fallen through when the financing, arranged by a Saudi friend of King Juan Carlos, was vetoed by the Saudi Cabinet because of Egypt's peace with Israel.

China has supplied F6 and, reportedly, F-7 fighters. These are outdated Chinese versions of the MIG 17 and MIG 19



Field Marshal Abdel Kalim Abu Ghazala, Defence Minister and Commander-in-Chief

respectively, and Egypt's acquisition is thought to be either because they were very cheap or for possible resale.

North Korea, China, and Yugoslavia have all supplied spares for Soviet bloc weaponry.

The cost of re-arming is enormous. Nearly \$55n has been allocated under FMS. Although these credits have a 10-year grace period and are repayable over 30 years, interest rates are high—around 10 or 11 per cent.

Purchase delayed

Egypt's reluctance to borrow money commercially for arms purchases is believed to have held up the purchase of Oerlikon Skyguard low-level air defence system for two years.

The desire to shop around to get the best possible deal is one reason for Egypt to conclude a deal to buy 200 tanks from Romania, with a much lower unit cost than the U.S.-made M-60s.

The Romanian tanks—designated the TR-77, an upgraded version of the Soviet built T-55—is not as sophisticated as the M-60-A3. But it was cheap, available, and Egyptian tank crews are familiar with it. According to Egyptian military sources it provides the tank technology appropriate to Egypt's needs.

More significant are the political implications, since this is the first deal that Egypt has concluded with a Warsaw pact country since breaking with the Soviets in the seventies and allying itself more closely with Washington. It seems to be a signal that Egypt is keen to pursue, or be seen to be

pursuing a more balanced non-aligned foreign policy, steering between East and West.

The policy of diversification has its drawbacks, and Egypt has tended to place each egg in a different basket. The lack of standardisation is proving a logistical nightmare. This has led to Egypt wishing to sell its 35 Phantoms to Turkey, both to reduce the number of different aircraft it is flying and to pay for additional purchases of F-16s.

Inside airspace

The price and financing arrangements are believed to have held up the sale. Fourteen Phantoms were flown down from Cairo west to Aswan in February to co-ordinate with the Awac's early warning aircraft. President Reagan despatched to watch the Libyan troops build-up near the Sudanese border. Two Phantoms intercepted Libyan aircraft inside Egyptian airspace. The action is believed to have led the Egyptian Air Force to reassess their value—and to raise their price with Turkey.

Army officers, who have seen their status and standard of living rapidly eroded since their peak as heroes of the October 1973 war, receive special privileges. Plots are being built for officers. Mazda cars are sold to serving and retired officers for E£5,000 against E£7,000 for civilians.

The army is also pampered in other ways, with access to material benefits alone can special shops and clubs.

Not satisfy the armed forces which, like any other section of Egyptian society, have their share of Islamic militants and Nasserists.

Most would undoubtedly like Egyptian armed forces to play a larger regional role, although many are wary of repeating Nasser's disastrous adventure in the Yemen in the 1960s.

Egypt maintains close strategic ties with the U.S. Despite its reaffirmation of non-alignment joint military exercises with the U.S., code-named Brightstar, were held in August and September. Earlier training paid off with the incident in February with Libya.

But Egypt, sensitive to the prospect of foreign occupation, decided to turn down an American offer to develop the Red Sea base at Ras Banas and do the work themselves. The offer to the U.S. stands to use facilities at the base as a staging post for the central command, formerly the rapid deployment force to go to the aid of Arab or Muslim Islamic countries that ask for it.

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Cash & Banks	1,298,564,000	Capital	20,000,000
Investments	190,791,000	Reserves & Provisions	61,819,000
Loans & Advances	2,315,921,000	Deposits	3,298,280,000
Other Assets	82,319,000	Other Liabilities	507,496,000
Total	3,887,595,000	Total	3,887,595,000

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3—Misr Romanian Bank	3—Reconstruction & Housing Bank	6—The Egyptian Workers' Bank
4—Misr Exterior Bank		

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Telex: 92242 UN, 92325 UN, 783 UN

DELTA
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BANK

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The Bank deals in both local and foreign currencies.

Authorized Capital
20 Million US Dollars
Paid Up Capital
15 Million US Dollars

Statement of Account as at 31/12/1982
(Million Dollars)

Liabilities	
Current and Time Deposits	217
Due to Banks and Correspondents	120
Capital and Reserves	20
Assets	
Loans and Advances	139
Cash and Due from Banks and Correspondents	225

Correspondents all over the world

Branches

- Head Office & Main Branch
1113 Cornish El Nil, Cairo
Tel: 753484 - 753492
Telex: 93833 Delta UN - 93319 DIB UN
P.O. Box 1159
- Alexandria Branch
95 Cornish St.
Borg El Sedaka Building, Azarita
Tel: 21545/21546
Telex: 54580 DIB UN
P.O. Box 2460 Alexandria
- Tanta Branch
12 Ahmed Maher St.
Tel: 4163
Telex: 54246 DIB UN
P.O. Box 289 Tanta
- Menaia Branch
Mahmoud Fahmy El Nokraschi
P.O. Box 24 Menaia
Tel: 300
- Dokki Branch
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Second biggest
export earner
with \$1bn income

Arms Sales

CHARLES RICHARDS

EGYPT MADE \$1bn last year from the sale of arms and military equipment abroad, according to the Defence Minister. This made arms Egypt's second biggest export, topped only by oil but its importance as a source of finance for new weapons procurement is likely to be short-lived. Most was from cash sales to Iraq to replace material lost in its war with Iran.

Iraq bought ammunition and spare parts, much of it Egyptian made, for its Soviet-made weaponry, as well as Soviet-built T-54 tanks from Egypt's strategic reserve. Increasingly Iraq is said to be buying from the Soviets direct.

Egypt also exports to Sudan, Somalia, North Yemen and countries in Africa. Plans to establish a regional arms manufacturing industry to serve the Arab world received a setback when the Arab shareholders—Qatar, the United Arab Emirates and Saudi Arabia—pulled out of the Arab Organisation for Industrialisation after Egypt made peace with Israel.

Certain factories continue to operate. Arab British Dynamics, in which British Aerospace has a 30 per cent stake, makes Swingfire missiles mounted on jeeps assembled at the Arab American Vehicles (AAV) plant down the road. Some are said to have been sold to Sudan and Iraq.

Arab British Dynamics feel they will be well placed to build other missile systems

when Swingfire production ends in a couple of years. The Egyptians also say they have managed to manufacture, presumably through reverse engineering, the Soviet designed Sam-7 portable anti-aircraft missile.

Egyptian infantrymen used this to demonstrate the Israeli Air Force in the 1973 war. If Egypt manages to produce it in sufficient quantities it could find valuable export markets.

Most ambitious and fanciful plans are for the manufacture of a jet fighter in Egypt. Contenders are the McDonnell Douglas F-16, the Mirage 2000 and the Northrop F-20 Tigerhawk. Egypt will have to balance the plane it requires for its own air force against the best offset production arrangements it can secure.

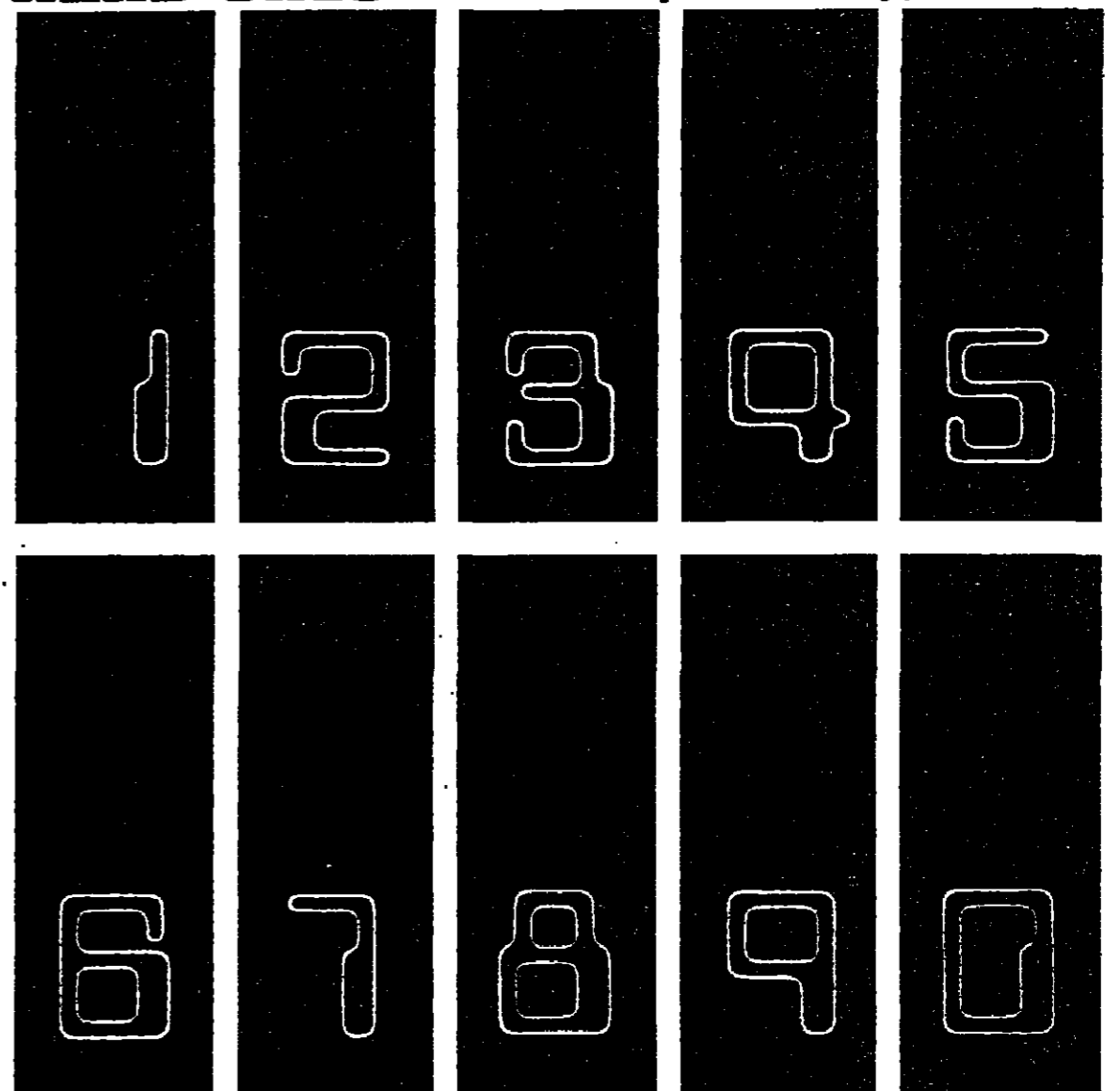
Technology transfer

In the \$1bn deal to buy 20 Mirage 2000 combat superiority aircraft is an agreement for six million man hours in Egypt. Alpha-jet is assembled in Egypt, some parts are produced too. Egypt is looking increasingly for technology transfer and offset production as part of an arms purchase deal.

The Defence Minister has also said that Egypt will be ready to export its own locally-made tank by 1985. At present Egypt makes an armoured vehicle, the Waleed, used by part-military police. It also has the technology to produce tank radios, armour, engines and the gun. The main shortcoming appears to be the turret, but Egypt has signed a cooperation agreement with Romania to produce turrets and spare parts. A deal with Yugoslavia to co-produce spare parts for Eastern bloc equipment is also reported.

OUR NUMERALS
ARE THE ANCIENT
ARAB ONES

The introduction of Arabic numerals along with methods of calculation to the West in the 4th/10th century revolutionised life and thought. The Arabic numerals were the product of a gradual development from their Indian originals to which the Arabs largely reverted later.



A DISTINGUISHED TRADITION IS WHAT
GAVE THIS ARAB BANK ITS
LEADING INTERNATIONAL STATUS

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BALANCE SHEET AS AT 31.12.1982

(in L.E. '000)

Assets	1982	1981	Liabilities	1982	1981
Cash in Hand and due from Banks	84 636	71 099	Deposits and due to Banks	177 197	136 001
Investments	2 296	1 241	Other Credit Balances and Provisions	8 934	8 629
Advances	116 395	83 564	Capital	10 000	7 500
Other Debit Balances	694	903	Reserves	4 167	1 515
Fixed Assets (after depreciation)	1 389	1 314	Net Profit	5 007	4 476
			Profit Carried Forward	105	
	205 410	158 121		205 410	158 121
Commitments and Contingencies	83 870	73 210	Commitments and Contingencies	83 870	73 210

Head Office & Cairo Branch
30, Ramses St., Cairo

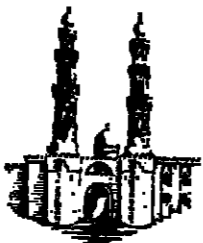
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FINANCIAL STATEMENT AS AT 30th JUNE 1982
IN THOUSANDS OF EGYPTIAN POUNDS

LIABILITIES	L.E.	ASSETS	L.E.
Capital, Reserves and Provisions	308,601	Cash in Hand & Balances with Banks & Correspondents	1,178,969
Deposits & Current Accounts	2,004,824	Total Investments	179,704
Banks & Correspondents	258,933	Total Advances & Loans	1,341,119
Sundry Credit Balances	190,623	Sundry Debit Balances	63,189
	2,762,981		2,762,981
Contra Accounts	1,270,483	Contra Accounts	1,270,483
		Net Profit	54,691

Joint Ventures
Cairo Barclays International Bank, Egypt—Banque du Caire et de Paris, Egypt—Cairo Far East Bank, Egypt—Saudi Cairo Bank, Saudi Arabia—Cairo Amman Bank, Jordan
and participating in the following banks
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The Central Bank of Egypt

Role shifts to lending for projects

Banking

CHARLES RICHARDS

BANKS IN EGYPT are gradually shifting their activities from trade financing project lending—thanks to the implementation of Government policies according to the Minister of the Economy, as part of an organic process according to some bankers.

The Minister, Dr. Mustapha al Saeed, points to a number of measures that he feels have brought changes in the structure of economic activity.

He has given the Central Bank of Egypt greater power to control banking activities in Egypt. He has imposed a ceiling of 1 per cent growth in commercial activity per month, in an effort to reduce spiralling consumption patterns and channel funds from trade financing into development.

Differential interest rates apply for different types of economic activity, a minimum of 16 per cent for commercial activities and a maximum of 13 per cent for agriculture.

To try to curb the growth in the money supply, which had been running at 44 per cent, the CBE has introduced a 65 per cent ceiling on the proportion of the deposit base that may be lent out—in effect instituting a reserve base of 35 per cent.

Dr al Saeed, pointing a finger at the "social alliance of merchants and bankers," asserts that the commercial sector now gets only 25 per cent of credit facilities compared to 45 per cent before.

Some bankers maintain that many of the changes in the structure of their financing operations result from the maturing of the Egyptian economy.

Open door

Since the inauguration of the open door policy in 1974, about 70 new banks have set up in Egypt. When they first started they could engage only in trade financing since there were no viable projects to lend to. Because it takes several years to set up those projects, they continued trade financing for some time. At the same time, many banks deposited dollars on the Eurodollar market where higher interests could be obtained.

Trade has stimulated demand which is being increasingly met by local production. An indication of the increase in project financing can be seen from the most recent published balance sheets of the principal banks.

The shift towards greater investment financing has led Cairo Barclays International to change its status from a 50-50 Egyptian foreign investment bank to a 51 per cent Egyptian, 49 per cent Barclays joint venture able to deal in both Egyptian and hard currencies.

Citibank, hoping to follow the lead of American Express and Bank of America, is still waiting for approval to have joint venture status as well as a branch office. The Egyptian authorities now seem to suggest that Citibank can have either one or the other.

This places Citibank in a quandary. Branch offices can call on extensive resources outside the country to reconfirm letters of credit for public sector banks on a 180-day basis. Because of the shortage of available cash from central government, public sector banks are frequently late with their repayments but there are no known cases of banks defaulting on debts.

Other bank branches find that restriction on issuing licences has cut the volume of business in the private sector. High margins for interest rates stipu-

lated by the CBE make the effort worthwhile.

One of two specialist joint venture banks such as the Misr Exterior, dealing almost exclusively with Spanish customers, find that they have a captive market. Misr Exterior reports that in the first ten months of operations it handled \$1.4bn of business, of which \$800m was for the import of military trucks from Spain.

Foreign branches confined to dealing in hard currency have obviously not been affected by the credit ceilings. Hardest hit have been new banks trying to establish themselves, and wholly-owned Egyptian banks that have been lending between 100 and 200 per cent over their deposit bases.

The CBE is imposing sanctions such as the withdrawal of permits to open new branches until banks conform to banking regulations.

Carless lending has led to a number of cases in the courts. Several senior executives of the Suez Canal bank have appeared to give evidence on why they lent money to a runaway bankrupt.

Relations improve

On the broader front, better relations with the Arab states following Egypt's recovery of the Sinai from Israel in April 1982 had been hoped to signal a return of Arab Government money to Egypt. Private Arab money had never stopped flowing into Egypt.

In February, one of the two offshore Arab banks with main offices in Cairo, Arab African International Bank called for an increase of capital from \$125m to \$200m over three years. Main shareholders are the Kuwaiti Ministry of Finance and the Central Bank of Egypt, each with 42.5 per cent. Smaller shareholders are the Rafidain Bank of Iraq, the Central Bank of Algeria, the Jordanian Ministry of Finance, the Qatar Ministry of Finance and the Al-Jazira Bank of Saudi Arabia.

The other main Arab bank, the Arab International Bank, is also said to be about to increase its capital. Significantly this is a treaty bank with the participation of Arab governments rather than their finance ministries, that have been hostile to Egypt's peace with Israel.

The Egyptian Gulf Bank has set up with capital of \$20m. Its chairman was the Kuwaiti businessman Ahmed al Daili. His death in September in a car crash raises questions about the future of an ambitious project by a group of Arab businessmen to set up a \$500m investment company in Egypt of which he was chairman designate.

Once again Egypt has been trying to put itself forward as a financial centre for the region. A conference of capital market development held in Cairo heard discussions of Cairo's future as a banking centre to rival or supersede Kuwait and Bahrain.

A number of speakers suggested a more modest target of first trying to revive Egypt's domestic capital market dormant since the mass nationalisation programme of the 1960s, under Nasser.

Development of the capital market could be a way of mobilising domestic savings for economic and social development. Many in Egypt are unwilling to put money on deposit because of religious proscription and feel that participation in venture capital instead satisfies Islamic precepts.

Improved interest rates for local currency deposits has brought a steady increase in domestic savings, much sent or brought back by Egyptians working abroad.

Total deposits have risen from \$2800m in 1970 to \$12bn in 1982, of which about \$77m is in Egyptian currency and \$5bn in dollars.

EGYPT VI

Keen eye kept on price and financing of contracts

Playing one bidder against another

How business is done

CHARLES RICHARDS

LIKE MOST developing countries with no money, Egypt is looking for two things above all when it considers tender bids for major contracts: price and financing.

As a major market for food imports construction and the whole range of infrastructure projects, Egypt has attracted keen interest throughout the world.

With businesses desperate for export orders and governments willing to assist to protect jobs, Egypt is able to obtain large amounts of aid.

The principal donor is the U.S. Egypt's civilian aid appropriation is about \$1bn a year, about 20 per cent of total U.S. aid worldwide. Of this \$250m is in the form of PL 480 grant, mainly for wheat imports.

A further \$300m to \$350m is for the commodity import programme (GIP) for raw materials such as tallow, tobacco and wood pulp and capital goods such as locomotives and ambulances.

The remaining \$400m is divided into six main components including infrastructure (telephones, water and power), education, agriculture, industrial rehabilitation, cement plants and health and family planning.

The size of the American aid programme creates many business opportunities for American companies. Many, however, complain that they do not get the advantage of European and Japanese companies that can call on mixed or blended credits through aid money and export credit guarantee departments. The U.S. Exim Bank operates aid separately.

Power projects

Major projects in the future are likely to be in power generation. Both the U.S. and the World Bank had indicated their unwillingness to embark on new projects in this field while Egypt's consumer tariffs were so low that they could not even pay for the cost of routine maintenance.

In July, the U.S. acknowledging "adequate" energy price rises, announced it would go ahead with the financing of the \$100m Abu Sultan Four power unit outside Ismailia.

The largest single contract will be for the erection of the nuclear power unit at El Daba west of Alexandria on the north-west coast.

Problems with financing have set back the tender date from September 26 to November 26. Bids are invited from companies in the U.S., West Germany and France, the three countries that

have signed the appropriate bilateral nuclear agreements.

Egypt has set aside \$700m for its nuclear programme, but is expecting almost complete financing for the \$2bn first plant.

Both the West German and U.S. Governments have made it clear they are unwilling to finance such a project, and the French are believed to be less willing than they used to be.

The French are particularly exposed in Egypt and their main prestige project, the Cairo Metro appears to be coming off the rails.

Coface is said to be committed to over \$1bn in Egypt, more than twice as much as Britain. France is financing the Metro with 75 per cent Coface-backed loan at 8 per cent, and 25 per cent of the FRF 1.15bn at a concessional Government loan at 3 per cent.

The 8 per cent rate is said by some to break consensus rules. The French counter that the lower earlier rate applies because the Metro is an older project.

Circumvented

In effect, the Central Bank of Egypt vetoes any project in the public sector that has the full 10 per cent financing rate. The rules are usually circumvented through lowering the price.

Even when full financing is obtained, Egypt frequently does not take up the option. A British aid agreement that included a \$50m grant and a \$100m EOGD-backed loan for a Cairo wastewater project was only officially gazetted, two years after being signed.

By experience, Egypt has found if it waits long enough rival bidders will lower their prices. This is what happened in the much publicised sale of 1m tonnes of American wheat flour to Egypt. Supplier countries are finding that Egypt will shop around on every deal and that carrying out the first phase of a contract even with aid funds, wins no special favours.

Businessmen soon learn that doing business in Egypt is not like elsewhere. GEC were issued a letter of intent for work on the Cairo wastewater project only after a Dutch auction.

Letters of intent however do not have the finality they might elsewhere. Airbus Industrie had a letter of intent to supply three Airbus 310 wide-bodied airliners. Since then the national carrier, Egyptair, has issued a letter of acceptance for three rival planes, the Boeing 767.

President Mubarak's anti-corruption campaign, while welcomed as affecting business confidence and many government departments have virtually stopped taking decisions to avoid the risks of prosecution.

Mr Mubarak maintains that there are only a few corrupt cases in Egypt in comparison with other countries. In the popular imagination, however, the private sector is interchangeable with the "fat cats" who made it good during the

open door policy.

When Mr Mubarak recently asked a group of private Egyptian businessmen what was stopping them investing in Egypt, they replied the activities of the Socialist Prosecutor. This follows the arrangement on corruption charges of the brother of the late president, Gamal el Sadat and members of his family.

The dismissal of the Ministers of Supply and Industry who were named in the Gamal el Sadat case have created shock waves in both those ministries. Other officials in the Supply Ministry have been arrested.

Fear has bred panic, and officials have retreated into inactivity. Purchases for the supply of Fetta cheese are now put out to international tender—even though Denmark is the only country able to provide the required quantity on the right terms.

This has increased bureaucratic delays. Industrial companies are reluctant to place orders for new spare parts for fear of being accused of accepting favours from suppliers.

The anti-corruption campaign has not been without innocent casualties. But for the personal intervention of the Minister of Agriculture two of his senior officials would have been jailed for 35 years in a bribery case that the judge eventually threw out of court.

The anti-corruption campaign is also directed by the office administrative control agency (Rakaba II Idariyya), revived by government departments.

Parallel is much more active tax collection in private sector companies and closer scrutiny of account books.

Import controls

Stricter application of import controls, through the import rationalisation committee and of Decree 119 governing importers' margins of profit has shaken up traders.

More recently a spate of building collapses has drawn attention to the use of adulterated cement, insufficient or substandard steel reinforcing bars, and building of extra illegal floors.

Corrupt government building inspectors and unscrupulous contractors are held responsible and the Government has passed a new law with high fines for violations of building regulations.

Of greater concern to foreign businessmen and government has been Egypt's apparent difficulties in repaying loans and interest payments on time.

Egyptian officials say Egypt is paying all bills on time. Businessmen and bankers report that delays on payments have been longer than the usual 10 to 14 days. Some attribute this to increased inefficiency over the summer.

Others think the delays may be symptomatic of Egypt's increasing difficulties in finding foreign exchange.

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

EGYPT VII

Drive to become self-sufficient in food

Agriculture

CHARLES RICHARDS

SELF-SUFFICIENCY in food production has taken over from the establishment of heavy industry in Nasser's revolutionary Egypt as the symbol of resurgent Egyptian nationalism.

Egypt, granary of the Roman Empire, became a net importer of food in 1974 and last year imported about half its food at a cost of \$4,000m. Of every five flat brown "baladi" loaves made, two are baked with American wheat, much of it supplied under the \$550m a year F&E 480 programme.

Egypt has now set as a policy goal the achievement of self-sufficiency in grain production within seven years. Despite the desire to reduce the import bill the decision, according to Dr Youssef Wali, Minister of Agriculture and Food Security, is a strategic one.

"When you lose control of grains you lose your independence. This administration of Mubarak is not like previous administrations—it is a nationalist administration."

Shortcoming

Grain production is Egypt's obvious shortcoming, and the import bill has been given only a temporary respite by low world commodity prices. At present, Egypt imports 6m tonnes of wheat, wheat flour and maize, a year at a cost of \$1,500m. This includes 75 per cent of its wheat requirements.

The size of the Egyptian market, 45m people with the highest per capita wheat consumption in the world of 170 kg a year, has made it a battleground for a trade war between U.S. and European producers, particularly France.

With another million mouths to feed every ten months, and

increased demand fuelled by greater prosperity under Egypt's open-door policy, the gap between production and consumption is likely to widen further without drastic action.

Growth in agriculture has been only 2 per cent a year over the past five years, and is planned for 3.7 per cent over the course of the 1982-83-1987-88 five-year plan.

Increased production is the slogan of the Mubarak administration and Dr Wali hopes to boost cereal production through the use of improved high-yielding strains and greater mechanisation on existing acreage.

His target is to raise maize (corn) production 100 per cent from 3.5m tonnes a year, rice production by 1m tonnes from 2.2m tonnes a year, and wheat 80 per cent from 1.9m tonnes. At the same time he would like to rationalise consumption by finding the right formula for mixing maize and wheat flour for bread, and reducing the amount of subsidised bread fed to poultry — estimated at 2m tonnes a year.

Dr Wali is not aiming at item-by-item import substitution but self-sufficiency in overall grain production. At present world prices, an extra 1m tonnes of rice for export—Egypt's exports have slumped from 178,000 tonnes to 25,000 tonnes over the past three years—could pay for 3m tonnes of wheat.

American agricultural experts have said that a 50 to 70 per cent increase in cereal production over this period would be a more realistic target.

Successive World Bank reports and American missions to Egypt have looked aghast at the high acreage—up to a third of Egypt's 6m acres of arable land—planted with winter clover ("berseem") for animal fodder.

The reports have indicated that Egypt has no comparative advantage in animal husbandry and should concentrate instead on increasing yields of cereals

and high-value export crops such as fruit, vegetables and horticultural crops—for which Egypt, because of its all-year sunshine and water, has a comparative advantage.

A report sponsored by President Reagan and prepared by Dr York of Florida University recommends that Egypt should support its national herd in wastage from grain crops. In Egypt as elsewhere rice, wheat and maize are dual-purpose crops. Farmers place greater value on wheat straw for animal feed than on grain since the state buys quotas of wheat at fixed, low prices.

Husbandry

By seeking to boost domestic cereal production, with its fodder by-products, Dr Wali is recognising that farmers will not easily give up animal husbandry.

The highly-complex cropping pattern is affected by the slightest change. Because of high profits from berseem cultivation, farmers are prepared to risk a fine from the government and leave berseem in for two extra cuttings before planting their quota of cotton. Late planting reduces yields from cotton, a government-controlled crop that earns \$800m a year in exports for the Treasury.

This year the government was stricter about cotton being planted on time. This created a shortage of fodder, pushing up the price of locally-produced meat.

The docile water buffalo is an unwitting object of a political tug of war between meat and wheat. But some economists maintain that animal husbandry makes sound economic sense in Egypt.

At present the world's grain producers are falling over themselves to give or sell Egypt cereals at highly concessional terms. At the same time, since 1975 the IMF index for wheat prices has risen from 100 to 115. Over the same period, the meat

index has risen from 100 to 198. It would therefore seem much cheaper for Egypt to continue importing grain and rearing its own cattle and buffalo.

The buffalo is also a complete farming system in itself in Egypt and the economic trade-offs involved have not been systematically studied. A buffalo ploughs, operates irrigation pumps, and is the prime source of milk and dairy products as well as being a source of red meat. Further, the clover on which it feeds pays an important role in crop rotation by fixing nitrates in the soil, saving on imports of chemical fertilisers.

Dr York suggests in his report that unless farmers are paid higher prices for their produce they will have no incentive to invest in mechanisation to increase yields.

Dr Wali says that despite the rapid increase in Egypt's population, the rural areas are experiencing a labour shortage owing to migration to the Gulf countries. This points the way to greater mechanisation.

A pilot project in the Daka governorate of Dekhella to sell farmers rice transplanters from Japan has been highly successful. Yields have increased from an average 2.38 tonnes an acre to between 3.6 and 4.5 tonnes. Next year's waiting list for new transplanters is heavily oversubscribed.

Dr Wali has also raised prices paid to farmers for wheat and rice, but they are still well below world prices. If farmgate prices are low, so are input prices, and the internal price ration ratios are in general closely correlated with world prices.

Egypt has launched an export drive for its agricultural products. It has given foreign currency incentives to exporters and signed new trade protocols with two countries, Jordan and the Soviet Union, that for political reasons have imported less from Egypt over the past years.

A new cargo airline, ZAS, has started to ship agricultural produce to Europe, a market that may be more difficult for Egypt to enter in future with the planned enlargement of the European Community to include Spain and Portugal. However, export promotion is hindered by poor communications, uncertain quality control, and bureaucratic obstacles.

Egypt is still committed to reclaiming 2.5m acres of desert land by the turn of the century, and much hope is put on the exploitation of the fertile Sudan under a charter of integration between the two countries. But as the drift from the country to the cities continues, farmers will be called upon increasingly to grow perishable fruit and vegetables to feed the urban populations.



Washing a sheep in the Nile

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Public sector is the backbone

Industry

CHARLES RICHARDS

LAST SUMMER and for much of the early part of the year long queues formed every morning at street corners in Cairo.

Earnest academics wrote in the national newspapers about the loss to the national economy of government employees absenting themselves for two hours every morning to wait in line for their permitted two packs a day of Super, the popular name for Cleopatra, Egypt's best-selling cigarette.

Lack of investment in modern machinery, and lack of maintenance over the years as the Government diverted its resources into the war effort in part explains why cigarette production could not meet demand for about 94bn to 96bn a year.

Many smokers also switched brands to Super at 35 piastres a pack when imported brands went up ten piastres to 94 piastres a pack.

The queues have now disappeared. The Ministry is justly proud that it met the demand during the summer



The Portland cement works at Helwan: under the five-year plan E£1.8bn is allocated for the private sector

when consumption traditionally goes up and production in the heat goes down.

Last year the Ministry rejected a proposal from Rothmans to form a joint venture as well as offers for technical assistance. It decided to go ahead with the work itself. Besides increasing production of Super it has also launched a new cigarette designed by Rothmans. Since last April \$25m of an allocated \$39m have

been spent on the rehabilitation of factories of the two State-run cigarette companies.

New high-speed, electronically-controlled machinery imported from Britain is churning out between 1,000 and 2,000 cigarettes a minute to help raise production to 48bn in a year.

The investment to rehabilitate an existing industry is typical of that proposed in Egypt's five-year Development Plan. Under the plan, E£2.5bn or 16 per cent of the total is allocated to industry. This includes E£2.6bn for the public sector and E£1.8bn for the private sector.

Of this total, less than 20 per cent is for new projects, the rest being for the completion of those already started, and the rehabilitation of industries.

The ministry reports that the industrial sector has experienced a 6 to 7 per cent growth over the past five years, compared with 8 to 10 per cent in all sectors and 10 per cent forecast for industry during the five-year plan.

Efficiency

Increased government investment in new plant may go some way to meeting the Mubarak administration's objectives of raising production. More radical changes are needed to raise the efficiency of the public sector to the level of the private sector.

Although the public sector accounts for over three quarters of industrial investment, it accounts for less than two thirds of industrial output. Companies under the Ministry of Industry this year produced 25.7bn (47.5 per cent). Companies covered by other ministries, responsible for cement and medicine for example, provided 16.7 per cent of production and private sector and joint venture production amounted to 25.8 per cent, equivalent to E£2.3bn.

Poor industrial performance is due to a number of factors.

Nasser's programme of nationalisation in the 1960s, and the establishment of new heavy industries such as iron and steel making, was based on the principles of central planning. All major investment and management decisions were referred directly to the Ministry of Industry.

Managers were frequently Party men or ill-equipped bureaucrats. Prices were controlled and maiming levels kept high to create a full-employment society. Lack of competition in a closed economy led to poor quality of products.

Exposure

The rapid growth of the private sector, the exposure to goods from the Western world and the need to develop export markets since an open door policy was declared in 1974 have all thrown up the inadequacies of the public sector.

Attempts are being made to reform the public sector to put it on a more commercial footing. Already many of the reforms envisaged are being implemented by some managers who exercise their authority to pay incentive bonuses to workers.

Planning officials say, however, that the single main requirement is for the financial restructuring of public sector companies, hamstrung by under-capitalisation which forced them to borrow when interest rates were high.

Suggestions that parts of the public sector be sold off have been rejected flatly by the President and fiercely opposed throughout the public sector.

Despite its inefficiencies, the public sector is still regarded as the backbone of Egyptian industry. Social goals take precedence over economic ones and, of course nationalised industry is purely national.

As Dr Al Gharouri, the Industry Minister explained, "The philosophy of the public sector is not only to run enterprises for making profits. We are taxpayers, we pay customs duties, we provide jobs, we help the economy by keeping inflation down by selling at low prices."

Other spin-offs include the transfer of technology, and the creation of a skilled workforce—and the armed forces are engaged in a E£50m training programme for fitters and craftsmen. Even if the workers once trained in the public sector go off to the Gulf in search of more lucrative jobs, the country benefits from their remittances.

Calls for the continued protection of the public sector leaves the position of the private sector open to question. The Government would like the private sector to bear a considerable responsibility in the five-year plan, which President Mubarak says he is sticking to rigidly.

A market economy will not be allowed to develop except very slowly and officials predict it will be 20 years before free competition can be permitted.

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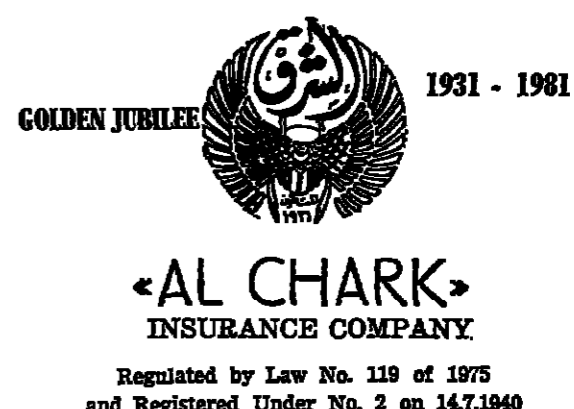
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EGYPT VIII

Bid to win more Western tourists

A TRIP TO Egypt is a once in a lifetime visit, at least for Western tourists. This is one of the problems confronting the country's bid to boost flagging income from an industry which is one of Egypt's four main foreign exchange earners.

"About 40 per cent of our tourism comes from the Arab world," Mr Tewfik Abdou Ismail, Minister of Tourism and Civil Aviation, explains. "About 30 per cent comes from business visitors whom we include in the tourist figures. The remaining 30 per cent comes from tour parties who visit our Pyramids and ancient tombs and seldom make a return trip."

The Minister frankly admits: "To encourage tourists back on

repeat visits we need to develop the recreational side of the trade which at present hardly exists." To alter this situation the Government has decided to direct all public investment towards new tourist areas outside the popular Cairo, Luxor, Aswan and Alexandria venues.

But even when new recreational tourist centres have been developed, the Minister does not foresee them competing in price with some of the traditional Mediterranean sun, sea and sand package holiday centres. First priority is being given to developing the Red Sea coast which, it is hoped, will prove attractive to the better off holidayer.

The Minister dismisses his domestic critics who say that it

is wrong to concentrate on attracting the wealthier tourists to Egypt. Just as he also rejects criticism of his policy of encouraging the construction of first class hotels rather than those catering to the middle and low income brackets.

Depending on how you read them, the tourist statistics for last year could lend some justification to his attitude. Because of the wars in Lebanon and the Gulf the goal of a 12 per cent increase in tourism was not reached, and the number of incoming tourists grew by only 3 per cent. The Minister believes that while this is disappointing, it is still a creditable performance when compared with the record of other countries last

year.

Certainly the hotels in Cairo are bustling with life and the shock waves caused by the assassination of President Sadat are fading from people's minds. There were signs at the end of last year that tourism was on the rise. Growth in the last quarter was 16 per cent compared with the same period in the previous year.

But the most worrying problem for the Government, which badly needs every tourist dollar it can earn, was the drop in revenue from \$315m in 1981 to \$289m in 1982. Mr Ismail believes that the income levels were actually much higher, perhaps over \$1bn, but this additional income goes unrecorded because so much money is being taken by tourists on the black market.

Because the black market has existed for years, it is perhaps permissible to look for additional causes of last year's income drop. A total of 1.42m tourists visited Egypt in 1982 compared to 1.37m the previous year. But the number of tourist nights fell from 9.5m in 1981 to 9.3m last year.

The source of this decline, and perhaps the cause of the drop in income may be found in the breakdown by area of origin of the incoming tourist. Tourism from Arab countries increased its share of the total by about 14 per cent to reach 44.4 per cent, while the share of Western tourists fell from 55.6 per cent to 55.6 per cent.

Many of the Arab tourists prefer to stay in apartments or villas rather than hotels and this reduces the amount of tourist money passing through the banking system. So while continuing to encourage Arab tourism, Egypt must concentrate greater efforts on attracting the Western visitor if revenue is to

be boosted.

The largest source of Western tourists is Europe which provided 34.1 per cent of the total, with the more distant U.S. sending 13.9 per cent. One new development which may help to boost the flow of holiday-makers from Europe is the decision to permit unrestricted charter flights to all international airports, with the exception of Cairo.

Excluding the capital, a charter destination is part of the effort to divert traffic to the regional centres, part of the overall plan to develop the interest in other centres and perhaps save some of the magnificent monuments from the destruction they face under the thumb of millions of tourist feet.

This is one part of the five-year plan of Mr Ismail, who has a refreshingly frank attitude to the problems facing the country as a tourist attraction. He admits, indeed emphasises, that another central factor that even limits tourism to the country's breath-taking historical sites is the fact that they are located in "an unappealing environment," as he puts it.

Just as President Hosni Mubarak has said that he wants to improve the quality of life for the average Egyptian, so the Tourism Minister says that he wants to improve the environment for the visitor to the Pyramids, the Valley of the Kings and other sites.

Whether or not Mr Ismail succeeds in pushing through all of his plans, Egypt will remain a worthwhile tourist destination for anyone who can be touched by the awesome sight of the relics of a vanished society. The key issue for Egypt is whether this can be converted into extra income, sums of money to help pay for the country's needs.

David Lennon

PROFILE: President Hosni Mubarak

Concern for the people



President Hosni Mubarak —modest manner and life style

is compatible with the expectations of a senior air force officer. Other members of the Mubarak family are purposely kept out of the public limelight.

President Mubarak's brother is rumoured to have had to wait 18 months for a telephone to be installed in his apartment. That this rumour is accepted as entirely credible in Cairo demonstrates the conviction among the general public that the President is an incorruptible man.

He also has moments of amusing frankness. Was it not true, he was asked, that after six years as Vice-President he was uniquely well prepared to assume the greater responsibilities of the presidency? Nonsense, he retorted, a Vice-President has no responsibility at all. "All

I would do was just give a word or two of advice on this and that."

Other accounts dispute Mr Mubarak's version of events, which could also be interpreted as a warning shot across the ambitions of would-be vice-presidential candidates.

In conversation the President's military background is not immediately apparent, but those who work closely with him report sharp flashes of anger at subordinates who fail in their tasks or who tender advice which turns out to be ill-considered. He also has an ingrained dislike of losing which may yet serve him well in the presidency.

All attempts at modesty desert him when he recounts epic battles on the squash court, especially against opponents from the higher reaches of the U.S. political establishment. Egypt won all four matches on a previous Mubarak visit to Washington, despite the difficulties of acclimatisation to the different rules there. But surely Americans don't like losing? "I know that. But I insisted," retorts a triumphant President.

Just what Mr Mubarak will come to insist on in Egyptian political terms has not really to emerge. When asked how best he would like to be remembered, Mr Mubarak replied simply that he would like to have done something for the people. "To find a solution for their housing, the infrastructure, for their standard of living."

"Whether that will make me remembered or not I do not know. I would just like to be remembered, and feel that I have done some things for the people."

Roger Matthews

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Cheaper than rumoured

CAIRO. A RECENT survey would have us believe, is the third most expensive capital in the world for resident businessmen. It need not be. It is very possible to live cheaply and well in Egypt. But to lure reluctant businessmen to enjoy the privilege of working and living in this varied and fascinating —if at times exasperating—country, big companies pamper their staff by providing accommodation and lifestyles they could not dream of in suburban Essex and Osaka.

In Cairo there is a maid to hand wash shirt collars, a sufraggi to pour the gin and tonic, and a cook to serve the meat and two veg.

Of course, most companies prefer the services, and pay the rent, the single most expensive item. Flats with civilised kitchens and plumbing command between £1,000 and £2,000 a month. Even for that price you may not get regular running water, but the flat will be large and spacious, with airy balconies and, often, a priceless view of the River Nile.

All basic services have improved enormously in the capital over the past five years. Electricity blackouts are as rare as rain, but they are becoming less frequent. Phones work more often than not, and an international direct-dial line can be installed for about £1,000.

A major expense for families is schooling. The choice is limited by geography. Cairo American College serves the American community in the garden suburb of Maadi. The British International School's catchment area is fashionable Zamalek.

Black and white taxis are good, and cheap, but once the driver spots you are non-Egyptian you can forget about the meter. Outside all the main hotels fast, comfortable, air-conditioned limousines will whisk you wherever you want, at reasonable fixed prices by European standards. Down town to the airport will cost £27, including tip. A word of warning: few Cairo streets have known names and of those that do taxi drivers frequently seem to have less idea than anyone what they are.

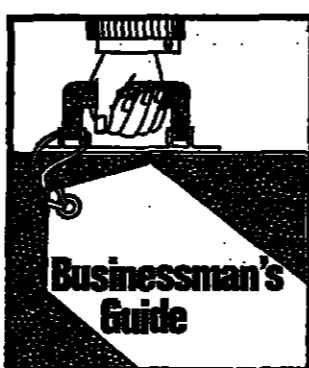
It is best to find out before starting a journey exactly where you are going. It is no good pointing to a map, few drivers know how to read one. One idea is to get a friend to write down the address of wherever you want to go in Arabic.

Car hire agencies, Bita, Avis, Hertz and Budget, all operate in Egypt. English-speaking drivers come at only a minimal extra cost.

To travel outside Cairo: there are excellent regular train and air-conditioned coach services to Alexandria. Allow four hours each way. There are daily Egyptian flights to Luxor and Aswan in Upper Egypt, though these tend to be heavily booked during the winter and Easter tourist season.

Currency Regulations

These defeat even the most adept banker. There are tourist rates, incentive rates, supply rates, rates for trade with the Eastern bloc, black market rates and in any of a number of street



knocks "the friendly rate." It is illegal to deal in hard currency in Egypt outside a bank; many have both hard currency and Egyptian money, which is not convertible. Hotels and airlines require for payment the production of an official form showing that you have changed the money at a bank.

The Egyptian pound is pegged to the U.S. dollar at about \$1=84 piastres (£1E=100 piastres).

Visas

It is best to get one from your local consulate before you leave for Egypt. The Egyptian Consulate in London is at 19 Kensington Palace Gardens W8 (Tel. 01-229 8818).

Visas are valid for three months and can be extended locally. Evidence of previous travel to Israel will not hinder visa applications to Egypt but will stop you getting a visa to any other Arab country; you must register with the police within seven days of arrival. Most hotels will do this for you.

Health

Vaccination against smallpox and, in summer, cholera, is required. For the Sudan, yellow fever vaccination is required. Four years ago it was impossible to get a place on a ship without a lot of wheedling or persuasion. Now Cairo is over-popping with four and five-star hotels. Visitors have the choice of those down town, such as the Nile Hilton, Shepherds, The Ramses Hilton, The Marriott, or the Meridien. Near the airport are the Heliopolis Sheraton and the Concorde. Out near the Pyramids, the Mena House Oberoi.

Hotel prices are controlled by government. A double room in the top-class hotels like the Ramses Hilton is now about £270 a night.

Eating out

Most hotels provide good, basic, informal, extended service. Every combination of steak can be found. Prices have risen dramatically over the past years. Good but expensive restaurants are found in the Marriott, Ramses Hilton and, of course, the Meridien. Outside the hotels, Swissair Restaurant has an enterprising menu and maintains a high standard. Arabesque, Carrels and Alsedid all serve both Western-style food and Egyptian dishes. Shish kebabs, stuffed pigeons and fatteh chicken and rice baked in the oven are Egyptian specialties and an excellent desert is on all, similar to bread and butter, pudding.

Local Stella beer is light and refreshing. Wines, from the Heliopolis area, vary in quality. Many a hangover has been blamed on Omar Khayyam, a full-bodied red. Good with fish is the dry white Giza wine.

Good food can be found in a number of open-air restaurants near the Pyramids. These include El Dab, Andreas (for chicken) and Bonitos (for fish). In town there is Filfila, cheap and bustling.

Time off

It is not possible to cover 7,000 years of civilisation in a few hours, but a start can be made at the main sites. The Pyramids of Giza, the Sphinx and the recently-opened Solar Boat together with the Egyptian Museum can be seen in half a day and give you an introduction to Ancient Egypt. Tours can be arranged with English-speaking guides through American Express or any of the other main travel agencies, or through your hotel.

If you have more time, visit the Step Pyramid of Saqqara. Take a walk around the old Islamic city not just for the finest concentration of Mameluke mosques and buildings in the Islamic world but for an idea of the bustling city as it must have been.

Close by is the Khan el Khalili Bazaar, essential stopping off place for those last-minute gifts.

Particularly good are leather goods, linen, Egyptian cotton, tapestries, gold and silver, and the boutiques in the main hotels. In the evening, try the Sun et Lumiere at the Pyramids. Most hotels have nightclubs, with Can Can dancers from Bolton as well as rather more exciting local belly dancers.

Sports

Cairo has many well-equipped sporting clubs. Temporary membership can be for one week to a year, for families and individuals. Tennis, golf, bowls, croquet, cricket and squash are all played and there is riding, swimming and other activities. Don't expect an ice-cold beer after some strenuous workout: sporting clubs are dry.

Guide books

Essential for the resident is the American University's Practical Guide to Cairo, available in all hotel bookshops. This lists shops, phone numbers, and tells how to find a plumber and where to get shirts made. It also has a bibliography of guide books to Egypt.

The best general guide is by Travelaid, which lists general information and cultural sketches of the main sites in Cairo and Upper Egypt. For antiquities there are any number of good guides of which the best is the 1929 Beedeker. E.M. Forster's guide to Alexandria has been recently published in London.

For phone numbers, the British Airways phone book lists most expatriates and offices of foreign companies. A more comprehensive list is found in Flair's Egypt Investment and Business Directory.

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